NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION

AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

THE SEAL OF THE AUDITOR OF STATE OF OHIO

Mary Taylor, CPA
Auditor of State

Members of the Board
Northeast Ohio Four County Regional Planning and Development Organization
180 East South Street
Akron, Ohio 44311-2035

We have reviewed the *Independent Accountant's Report* of the Northeast Ohio Four County Regional Planning and Development Organization, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2006 through June 30, 2008. 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 Northeast Ohio Four County Regional Planning and Development Organization is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 30, 2008

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
AUDIT REPORT
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

TABLE OF CONTENTS

This Page is Intentionally Left Blank.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

General Policy Board
Northeast Ohio Four County Regional
Planning and Development Organization
180 East South Street
Akron, Ohio 44311

We have audited the accompanying financial statements of the governmental activities of the Northeast Ohio Four County Regional Planning and Development Organization (NEFCO) as of and for the years ended June 30, 2008 and June 30, 2007, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Northeast Ohio Four County Regional Planning and Development Organization's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1-B, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis - of the governmental activities of the Northeast Ohio Four County Regional Planning and Development Organization, as of June 30, 2008 and June 30, 2007, and the respective changes in the modified cash basis net assets, thereof, for the years then ended in conformity with the accounting basis described in Note 1-B.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northeast Ohio Four County Regional Planning and Development Organization's basic financial statements. The Schedule of Indirect Cost and Cost Allocation Method as of June 30, 2008 and June 30, 2007, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Indirect Cost and Cost Allocation Method as of June 30, 2008 and June 30, 2007 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the Northeast Ohio Four County Regional Planning and Development Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 12, 2008

The management's discussion and analysis of the Northeast Ohio Four County Regional Planning and Development Organization's (NEFCO) financial performance provides an overall review of NEFCO's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at NEFCO's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of NEFCO's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- Assets, were less than total liabilities at the close of the most recent fiscal year by $11,196.

- General revenues accounted for $220,947 in revenue or 56.2 percent of total revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $172,253 or 43.8 percent of total revenues of $393,200.

- NEFCO had $384,763 in expenses related to governmental activities; $172,253 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $220,947 were adequate to provide for these programs.

Overview of the Financial Statements

The management's discussion and analysis is intended to serve as an introduction to NEFCO's basis financial statements. NEFCO's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of NEFCO's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all NEFCO's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of NEFCO is improving or deteriorating.

The *statement of activities* presents information showing how NEFCO's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave.)

The government-wide financial statements can be found on pages 6 and 7 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. NEFCO, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of NEFCO are included in the governmental funds category. Because NEFCO utilizes a single special revenue fund, fund financial statements are not presented.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to develop a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements start on page 10 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of NEFCO as a whole. Table 1 provides a comparison of NEFCO's net assets for the years ended June 30, 2008 and 2007.

Table 1 - Statement of Net Assets

	2008	2007	Change
Assets			
Current and Other Assets	$ 13,399	$ 20,044	$ (6,645)
Total Assets	13,399	20,044	(6,645)
Liabilities			
Payroll Withholdings	3,595	4,677	(1,082)
Other Liabilities	21,000	35,000	(14,000)
Total Liabilities	24,595	39,677	(15,082)
Net Assets			
Unrestricted	(11,196)	(19,633)	8,437
Total Net Assets	$ (11,196)	$ (19,633)	$ 8,437

Total liabilities decreased by over $15,000 in 2008. A majority of the reduction was due to an increase in revenue, which allowed for a portion of the line of credit to be reduced.

Table 2 compares NEFCO's 2008 revenues, program expenses, and changes in net assets to the prior year.

Table 2 - Revenues, Program Expenses, and Changes in Net Assets

	2008	2007	Change
Revenues			
Program Revenues:			
Charges for Services	$ 2,000	$ 2,604	$ (604)
Operating Grants/Contributions	170,253	202,902	(32,649)
General Revenues:			
Membership Dues	220,763	179,843	40,920
Investment Earnings	184	100	84
Total Revenues	393,200	385,449	7,751
Program Expenses			
General Government	106,385	85,296	21,089
Economic Development	109,975	110,624	(649)
Water Quality Planning	168,403	193,323	(24,920)
Total Program Expenses	384,763	389,243	(4,480)
Change in Net Assets	$ 8,437	$ (3,794)	$ 12,231

Revenue increased by $7,751 and consisted of a $40,920 increase in membership dues that were partially offset by a decrease in grant revenue of $32,649. Program expenses stayed relatively constant.

Capital Assets

Because NEFCO is on a modified cash basis, they do not report capital assets.

Debt

NEFCO has debt in the form of a line of credit. The amount owed at the end of the fiscal years is as follows:

	2008	2007
Line of Credit	$ 21,000	$ 35,000
Total	$ 21,000	$ 35,000

Contacting the Organization's Financial Management

This financial report is designed to provide our members, grantors, citizens and creditors with a general overview of NEFCO's finances and to show NEFCO's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Executive Director, Northeast Ohio Four County Regional Planning and Development Organization, 180 East South Street, Akron, Ohio 44311.

NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2008

	Governmental Activities
Assets	
Current Assets	
Cash	$ 13,399
Total Assets	13,399
Liabilities	
Payroll Withholdings	3,595
Line of Credit	21,000
Total Liabilities	24,595
Net Cash Assets	
Unrestricted	(11,196)
Total Net Assets	$ (11,196)

See accompanying notes to the basic financial statements.

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

		Program Revenue		Net (Expense) Revenue and Changes In Net Assets
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Government Activities:				
General Government	$ 106,385	$ 2,000	$ 0	$ (104,385)
Economic Development Planning	109,975	0	51,628	(58,347)
Water Quality Planning	168,403	0	118,625	(49,778)
Total Governmental Activities	384,763	2,000	170,253	(212,510)
	General Revenues:			
	Membership Dues			220,763
	Unrestricted Investment Earnings			184
	Total General Revenues			220,947
	Changes in Net Assets			8,437
	Net Assets - Beginning			(19,633)
	Net Assets - Ending			$ (11,196)

See accompanying notes to the basic financial statements.

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds	Total Governmental Funds
Assets		
Current Assets		
Cash	$ 13,399	$ 13,399
Total Assets	13,399	13,399
Liabilities		
Payroll Withholdings	3,595	3,595
Line of Credit	21,000	21,000
Total Liabilities	24,595	24,595
Net Cash Assets		
Unrestricted	(11,196)	(11,196)
Total Net Assets	$ (11,196)	$ (11,196)

See accompanying notes to the basic financial statements.

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Other Governmental Funds	Total Governmental Funds
Revenues		
Charges for Services	$ 2,000	$ 2,000
Membership Dues	220,763	220,763
Intergovernmental	170,253	170,253
Interest	184	184
Total Revenues	393,200	393,200
Expenditures		
General Government	106,385	106,385
Economic Development Planning	109,975	109,975
Water Quality Planning	168,403	168,403
Total Expenditures	384,763	384,763
Net Change in Fund Balances	8,437	8,437
Fund Balances - Beginning	(19,633)	(19,633)
Fund Balances - Ending	$ (11,196)	$ (11,196)

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northeast Ohio Four County Regional Planning and Development Organization, Summit County, (NEFCO) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. NEFCO is directed by a 42 member Board. NEFCO was formed as a Regional Council of Governments by the elected officials within Portage, Stark, Summit and Wayne Counties pursuant to Chapter 167 of the Ohio Revised Code. Its purpose is to foster a cooperative effort in regional planning and programming, and the implementation of regional plans and programs. NEFCO is also organized as a forum for the discussion and study of common problems of a regional nature, and for the development of policies and actions and related recommendations.

NEFCO is supported by grants and by local dues paid by various political subdivisions served; such local dues are generally assessed at $.20 per capita per year. These dues serve as the primary local matching sources for certain federal and state grants.

NEFCO's management believes these financial statements present all activities for which the entity is financially accountable.

B. Basis of Accounting

NEFCO prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. In addition, NEFCO is recognizing payroll withholdings and the line of credit balance as a liability.

C. Fund Accounting

NEFCO's utilizes Peachtree accounting software to maintain their financial information. The software allows for the accurate tracking of revenue and expenditure information in accordance with fund accounting, however, it does not have the ability to print reports that include the fund balance. Since NEFCO is not required by the Ohio Revised Code to encumber funds, the cash balance minus payroll liabilities and the line of credit is equal to the fund balance. NEFCO classifies its activity into the following type:

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

C. **Fund Accounting** (Continued)

Special Revenue Fund
This combined fund is used to account for all financial activity of NEFCO.

D. **Property, Plant and Equipment**

Acquisitions of property and plant are recorded as capital outlay disbursements when paid and equipment is recorded as equipment expense when paid. These items are not reflected as assets on the accompanying financial statements.

E. **Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and compensatory time. Unpaid leave is not reflected as a liability under the basis of accounting NEFCO uses.

NOTE 2: **EQUITY IN POOLED CASH AND INVESTMENTS**

NEFCO maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

Demand deposit	$ 13,999

Deposits
NEFCO's deposits are fully insured by the Federal Depository Insurance Corporation. The bank balance at June 30, 2008 was $20,588.

Investments
NEFCO had no investments during the fiscal year ending June 30, 2008.

NOTE 3: **BUDGETARY ACTIVITY**

NEFCO in not subject to budgetary compliance with the Ohio Revised Code; however, for each fiscal year, the General Policy Board adopts a budget detailing anticipated disbursements for the year at the function level. For the fiscal year ended June 30, 2008, the approved budget totaled $446,453. Total actual expenditures totaled $384,762.

NOTE 4: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional and Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the period ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries; the percent of contributions changed to 10.0 percent effective January 1, 2008. NEFCO's contribution rate for pension benefits was 7.85 percent of covered payroll through December 31, 2007; effective January 1, 2008, the percent changed to 7.00 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

NEFCO's required contributions for pension obligations to the Traditional and Combined plans for the years ended June 30, 2008, 2007 and 2006 were $17,415, $21,509, and $23,895, respectively; 100 percent has been contributed for 2008, 2007, and 2006.

NOTE 5: POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 6.00 percent of covered payroll was the portion that was used to fund health care from July 1, 2007 through December 31, 2007. Effective January 1, 2008, NEFCO's contribution rate was 14.00 percent of covered payroll; 7.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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

At December 31, 2007, the number of active contributing participants in the Traditional and Combined Plans totaled 374,479. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130. Actual employer contributions for 2008 which were used to fund postemployment benefits were $15,245. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2006, (the latest information available) was $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

NOTE 5: **POST-EMPLOYMENT BENEFITS** (Continued)

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

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 6: **RISK MANAGEMENT**

NEFCO is exposed to various risks of loss related to torts; theft and damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties: a) General liability and casualty and b) Public officials' liability.

NEFCO also provides health insurance and dental and vision, flex spending, and life insurance coverage for full-time employees through Summit County.

NOTE 7: **CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

NOTE 8: OPERATING LEASE

NEFCO has an operating lease agreement with Summit County for use of property. The premise serves as the office location of NEFCO. Effective June 1, 2006, a new lease agreement was executed, which increased the rent to $2,415 per month. This agreement was effective until May 31, 2007, with potential renewal for 3 additional years. The County is responsible for the interior and exterior maintenance and repairs, utilities, and insurance for risk of fire and malicious mischief. NEFCO is responsible for telephone service, inspections and/or permits, and comprehensive general liability insurance.

The lease agreement expired on May 31, 2007. By mutual consent of NEFCO and the landlord, NEFCO continued to pay rent at a cost of $2,415 on a month-to-month basis until a new lease agreement was negotiated in July 2008.

NOTE 9: LINE OF CREDIT

NEFCO has a line of credit with National City Bank for operating disbursements at a fluctuating rate of interest. NEFCO had a balance of $21,000 on June 30, 2008, for operating disbursements due to delays in funding.

The activity on the line of credit for the fiscal year is as follows:

Balance 07/01/2007	Additions	Retirements	Balance 06/30/2008
$ 35,000	$ 21,000	$ 35,000	$ 21,000

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SCHEDULE OF INDIRECT COSTS AND COST ALLOCATION METHOD
JUNE 30, 2008

Indirect costs were distributed to projects and activities pursuant to a method of allocation required by the Office of Management and Budget Circular A-87 and Handbook 6042.1, Revised.

The indirect cost allocation rate for the fiscal year ended June 30, 2008 was as follows:

A. Indirect costs for all projects	$ 148,517
B. Total direct salaries and fringes	224,186
C. Allocation percentage (A/B)	66.2%

The following are the indirect costs allocated to projects for the fiscal year ended June 30, 2008:

Indirect Payroll	$ 43,998
Indirect Payroll (Vacation/Sick)	46,812
Indirect Contract	582
Telephone	488
Travel	1,180
Insurance	2,067
Membership	2,885
Professional Fees (Legal, Audit)	7,654
Interest	570
Equipment Maintenance	1,319
Equipment Rental	3,026
Office Supplies	1,566
Meeting Expense	390
Postage	1,739
Subscriptions	2,113
Computer Supplies and Equipment	1,399
Service Charges	46
Advertising	82
Office Rent	28,980
Internet Access	1,621
Total Indirect Cost	$ 148,517

The management's discussion and analysis of the Northeast Ohio Four County Regional Planning and Development Organization's (NEFCO) financial performance provides an overall review of NEFCO's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at NEFCO's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of NEFCO's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Assets were less than total liabilities at the close of the most recent fiscal year by $19,633.

- General revenues accounted for $179,943 in revenue or 46.7 percent of all net operating revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $205,506 or 53.3 percent of total revenues of $385,449.

- NEFCO had $389,243 in expenses related to governmental activities; $205,506 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $179,943 were adequate to provide for these programs.

Overview of the Financial Statements

The management's discussion and analysis is intended to serve as an introduction to NEFCO's basis financial statements. NEFCO's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of NEFCO's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all NEFCO's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of NEFCO is improving or deteriorating.

The *statement of activities* presents information showing how NEFCO's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave.)

The government-wide financial statements can be found on pages 20 and 21 of this report.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. NEFCO, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of NEFCO are included in the governmental funds category. Because NEFCO utilizes a single special revenue fund, fund financial statements are not presented.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to develop a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements start on page 24 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of NEFCO as a whole. Table 1 provides a comparison of NEFCO's net assets for the years ended June 30, 2007 and 2006.

Table 1 - Statement of Net Assets

	2007	2006	Change
Assets			
Current and Other Assets	$ 20,044	$ 20,265	$ (221)
Total Assets	20,044	20,265	(221)
Liabilities			
Payroll Withholdings	4,677	1,104	3,573
Other Liabilities	35,000	35,000	0
Total Liabilities	39,677	36,104	3,573
Net Assets			
Unrestricted	(19,633)	(15,839)	(3,794)
Total Net Assets	$ (19,633)	$ (15,839)	$ (3,794)

Table 2 compares NEFCO's 2007 revenues, program expenses, and changes in net assets to the prior year.

Table 2 - Revenues, Program Expenses, and Changes in Net Assets

	2007	2006	Change
Revenues			
Program Revenues:			
Charges for Services	$ 2,604	$ 2,618	$ (14)
Operating Grants/Contributions	202,902	198,480	4,422
General Revenues:			
Membership Dues	179,843	189,540	(9,697)
Investment Earnings	100	108	(8)
Total Revenues	385,449	390,746	(5,297)
Program Expenses			
General Government	$ 85,296	$ 90,602	$ (5,306)
Economic Development	110,624	112,523	(1,899)
Water Quality Planning	193,323	189,979	3,344
Total Program Expenses	389,243	393,104	(3,861)
Change in Net Assets	$ (3,794)	$ (2,358)	$ (1,436)

Revenues were slightly lower in 2007, primarily due to a lower amount of membership dues received. Expenses were slightly less in 2007, due to increased monitoring and budget controls.

Capital Assets

Because NEFCO is on a modified cash basis, they do not report capital assets.

Debt

NEFCO has debt in the form of a line of credit. The amount owed at the end of the fiscal years is as follows:

	2007	2006
Line of Credit	$ 35,000	$ 35,000
Total	$ 35,000	$ 35,000

Contacting the Organization's Financial Management

This financial report is designed to provide our members, grantors, citizens and creditors with a general overview of NEFCO's finances and to show NEFCO's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Executive Director, Northeast Ohio Four County Regional Planning and Development Organization, 180 East South Street, Akron, Ohio 44311.

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2007

	Government Activities
Assets	
Current Assets	
Cash	$ 20,044
Total Assets	20,044
Liabilities	
Payroll Withholdings	4,677
Line of Credit	35,000
Total Liabilities	39,677
Net Cash Assets	
Unrestricted	(19,633)
Total Net Assets	$ (19,633)

See accompanying notes to the basic financial statements.

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

		Program Revenue		Net (Expense) Revenue and Changes In Net Assets
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Government Activities:				
General Government	$ 85,296	$ 2,604	$ 0	$ (82,692)
Economic Development Planning	110,624	0	51,628	(58,996)
Water Quality Planning	193,323	0	151,274	(42,049)
Total Governmental Activities	389,243	2,604	202,902	(183,737)
	General Revenues:			
	Membership Dues			179,843
	Unrestricted Investment Earnings			100
	Total General Revenues			179,943
	Changes in Net Assets			(3,794)
	Net Assets - Beginning			(15,839)
	Net Assets - Ending			$ (19,633)

See accompanying notes to the basic financial statements.

NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue Funds	Total Governmental Funds
Assets		
Current Assets		
Cash	$ 20,044	$ 20,044
Total Assets	20,044	20,044
Liabilities		
Payroll Withholdings	4,677	4,677
Line of Credit	35,000	35,000
Total Liabilities	39,677	39,677
Net Cash Assets		
Unrestricted	(19,633)	(19,633)
Total Net Assets	$ (19,633)	$ (19,633)

See accompanying notes to the basic financial statements.

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Other Governmental Funds	Other Governmental Funds
Revenues		
Charges for Services	$ 2,604	$ 2,604
Membership Dues	179,843	179,843
Intergovernmental	202,902	202,902
Interest	100	100
Total Revenues	385,449	385,449
Expenditures		
Current:		
General Government	85,296	85,296
Economic Development Planning	110,624	110,624
Water Quality Planning	193,323	193,323
Total Expenditures	389,243	389,243
Net Change in Fund Balances	(3,794)	(3,794)
Fund Balances - Beginning	(15,839)	(15,839)
Fund Balances - Ending	$ (19,633)	$ (19,633)

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northeast Ohio Four County Regional Planning and Development Organization, Summit County, (NEFCO) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. NEFCO is directed by a 42 member Board. NEFCO was formed as a Regional Council of Governments by the elected officials within Portage, Stark, Summit and Wayne Counties pursuant to Chapter 167 of the Ohio Revised Code. Its purpose is to foster a cooperative effort in regional planning and programming, and the implementation of regional plans and programs. NEFCO is also organized as a forum for the discussion and study of common problems of a regional nature, and for the development of policies and actions and related recommendations.

NEFCO is supported by grants and by local dues paid by various political subdivisions served; such local dues are generally assessed at $.16 per capita per year. These dues serve as the primary local matching sources for certain federal and state grants.

NEFCO's management believes these financial statements present all activities for which the entity is financially accountable.

B. Basis of Accounting

NEFCO prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. In addition, NEFCO is recognizing payroll withholdings and the line of credit balance as a liability.

C. Fund Accounting

NEFCO's utilizes Peachtree accounting software to maintain their financial information. The software allows for the accurate tracking of revenue and expenditure information in accordance with fund accounting, however, it does not have the ability to print reports that include the fund balance. Since NEFCO is not required by the Ohio Revised Code to encumber funds, the cash balance is equal to the fund balance. NEFCO classifies its activity into the following type:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Fund Accounting (Continued)

Special Revenue Funds
This combined fund is used to account for all financial activity of NEFCO.

D. Property, Plant and Equipment

Acquisitions of property and plant are recorded as capital outlay disbursements when paid and equipment is recorded as equipment expense when paid. These items are not reflected as assets on the accompanying financial statements.

E. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting NEFCO uses.

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

NEFCO maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

Demand deposits	$ 20,044

Deposits
Deposits are fully insured by the Federal Depository Insurance Corporation. The bank balance at June 30, 2007 was $27,757.

Investments
NEFCO had no investments during the fiscal year ending June 30, 2007.

NOTE 3: BUDGETARY ACTIVITY

NEFCO in not subject to budgetary compliance with the Ohio Revised Code; however, for each fiscal year, the General Policy Board adopts a budget detailing anticipated disbursements for the year at the function level. For the fiscal year ended June 30, 2007, the approved budget totaled $462,043. Total actual expenditures totaled $389,243.

NOTE 5: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the period ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries; the percent of contributions changed to 9.5 percent effective January 1, 2007. NEFCO's contribution rate for pension benefits was 9.2 percent of covered payroll through December 31, 2006; effective January 1, 2007, the percent increased to 8.85 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

NEFCO's required contributions for pension obligations to the Traditional and Combined plans for the years ended June 30, 2007, 2006 and 2005 were $21,509, $23,895, and $23,885, respectively; 100 percent has been contributed for 2007, 2006, and 2005.

NOTE 5: **POST EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for post-retirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care. Effective January 1, 2007, NEFCO's contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006 include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase as the projected wage inflation rate plus an additional factor ranging from .50 percent to 6.00 percent for the next nine years. In the subsequent years (10 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

At December 31, 2006, the number of active contributing participants in the Traditional and Combined Plans totaled 376,214. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804. Actual employer contributions for 2007 which were used to fund postemployment benefits were $11,320. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2006, (the latest information available) was $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

NOTE 5: **POST-EMPLOYMENT BENEFITS** (Continued)

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

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 6: **RISK MANAGEMENT**

NEFCO is exposed to various risks of loss related to torts; theft and damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties: a) General liability and casualty and b) Public officials' liability.

NEFCO also provides health insurance and dental and vision coverage for full-time employees through Summit County.

NOTE 7: **CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

NOTE 8: **OPERATING LEASE**

NEFCO has an operating lease agreement with Summit County for use of property. The premise serves as the office location of NEFCO. Effective June 1, 2006, a new lease agreement was executed, which increased the rent to $2,415 per month. This agreement was effective until May 31, 2007, with potential renewal for 3 additional years. The County is responsible for the interior and exterior maintenance and repairs, utilities, and insurance for risk of fire and malicious mischief. NEFCO is responsible for telephone service, inspections and/or permits, and comprehensive general liability insurance.

The lease agreement expired on May 31, 2007. By mutual consent of NEFCO and the landlord, NEFCO continued to pay rent at a cost of $2,415 on a month-to-month basis until a new lease agreement was negotiated in July 2008.

NOTE 9: **LINE OF CREDIT**

NEFCO has a line of credit with National City Bank for operating disbursements at a fluctuating rate of interest. NEFCO had a balance of $35,000 on June 30, 2007 for operating disbursements due to delays in funding.

The activity on the line of credit for the fiscal year is as follows:

Balance 07/01/2006	Additions	Retirements	Balance 06/30/2007
$ 35,000	$ 64,000	$ 64,000	$ 35,000

NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SCHEDULE OF INDIRECT COSTS AND COST ALLOCATION METHOD
JUNE 30, 2007

Indirect costs were distributed to projects and activities pursuant to a method of allocation required by the Office of Management and Budget Circular A-87 and Handbook 6042.1, Revised.

The indirect cost allocation rate for the fiscal year ended June 30, 2007 was as follows:

A. Indirect costs for all projects	$ 152,347
B. Total direct salaries and fringes	226,801
C. Allocation percentage (A/B)	67.2%

The following are the indirect costs allocated to projects for the fiscal year ended June 30, 2007:

Indirect Payroll	$ 43,250
Indirect Payroll (Vacation/Sick)	34,115
Indirect Contract	517
Telephone	448
Travel	1,271
Insurance	2,074
Membership	2,435
Professional Fees (Legal, Audit)	20,665
Interest	2,003
Equipment Maintenance	1,388
Equipment Rental	3,241
Meeting Expense	338
Office Supplies	1,741
Postage	1,510
Subscriptions	2,039
Computer Supplies and Equipment	4,589
Service Charges	157
Advertising	101
Office Rent	28,980
Internet Access	1,485
Total Indirect Cost	$ 152,347

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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*

General Policy Board
Northeast Ohio Four County Regional
Planning and Development Organization
180 East South Street
Akron, Ohio 44311

We have audited the financial statements of the governmental activities of the Northeast Ohio Four County Regional Planning and Development Organization, as of and for the years ended June 30, 2008 and June 30, 2007, which collectively comprise the Northeast Ohio Four County Regional Planning and Development Organization's basic financial statements and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Northeast Ohio Four County Regional Planning and Development Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northeast Ohio Four County Regional Planning and Development Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Northeast Ohio Four County Regional Planning and Development Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Northeast Ohio Four County Regional Planning and Development Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the Northeast Ohio Four County Regional Planning and Development Organization's financial statements that is more than inconsequential will not be prevented or detected by the Northeast Ohio Four County Regional Planning and Development Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Northeast Ohio Four County Regional Planning and Development Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northeast Ohio Four County Regional Planning and Development Organization'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*.

This report is intended solely for the information and use of management, the General Policy Board, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 12, 2008

Mary Taylor, CPA
Auditor of State

NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION

SUMMIT 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
JANUARY 13, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us