

**FIRST SUBURBS CONSORTIUM OF NORTHEAST OHIO  
COUNCIL OF GOVERNMENTS  
CUYAHOGA COUNTY, OHIO**

**For the Years Ended December 31, 2009 and 2008**

**Years Audited Under GAGAS: 2009 and 2008**



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Mary Taylor, CPA

Auditor of State

Board of Directors  
First Suburbs Consortium of Northeast Ohio  
Council of Governments  
40 Severance Circle  
Cleveland Heights, Ohio 44118

We have reviewed the *Independent Auditor's Report* of the First Suburbs Consortium of Northeast Ohio Council of Governments, Cuyahoga County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 First Suburbs Consortium of Northeast Ohio Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

September 13, 2010

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**FIRST SUBURBS CONSORTIUM OF NORTHEAST OHIO  
COUNCIL OF GOVERNMENTS  
CUYAHOGA, COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

First Suburbs Consortium of  
Northeast Ohio Council of Governments  
Cuyahoga County  
40 Severance Circle  
Cleveland Heights, Ohio 44118

To the Board of Directors:

We have audited the accompanying financial statements of First Suburbs Consortium of Northeast Ohio Council of Governments, Cuyahoga County, (the Consortium) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Consortium'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Consortium has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also preparing the Consortium's larger (i.e. major) funds separately. While the Consortium does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Consortium has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of First Suburbs Consortium of Northeast Ohio Council of Governments, Cuyahoga County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Consortium has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2010, on our consideration of the Consortium'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

May 28, 2010

	<b>2009</b>	<b>2008</b>	<b>Totals (Memorandum Only)</b>
<b>Receipts:</b>			
Membership Dues	\$ 850	43,970	\$ 44,820
Intergovernmental	56,290	92,672	148,962
<b>Total Receipts</b>	<b>57,140</b>	<b>136,642</b>	<b>193,782</b>
3			
<b>Disbursements:</b>			
Staffing	69,658	126,966	196,624
Legal & Accounting	635	17,892	18,527
Meetings	2,775	5,805	8,580
Office Expense	333	834	1,167
Supplies	1,493	301	1,794
<b>Total Disbursements</b>	<b>74,894</b>	<b>151,798</b>	<b>226,692</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(17,754)</b>	<b>(15,156)</b>	<b>(32,910)</b>
Fund Balance, January 1	123,049	138,205	261,254
<b>Fund Balance, December 31</b>	<b>\$ 105,295</b>	<b>\$ 123,049</b>	<b>\$ 228,344</b>

*See the Notes to the Basic Financial Statements.*



**FIRST SUBURBS CONSORTIUM OF NORTHEAST OHIO COUNCIL OF GOVERNEMENTS  
CUYAHOGA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The First Suburbs Consortium of Northeast Ohio Council of Governments (the Consortium) is a body politic and corporate established in July, 2000 for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Consortium operates under the direction of a governing board.

The purpose of the Consortium shall be to provide organizational status to cooperative efforts between the member-municipalities of the Consortium in matters of mutual concern, including but not limited to initiation and support of policies and practices which protect, maintain and redevelop mature communities and other matters which affect health, safety, welfare, education, economic conditions and regional development.

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

Each prospective member city must meet four of the following criteria to become part of the Consortium:

- **Age of Housing Stock** – 60% or more housing units constructed prior to 1960.
- **Household Density** – 1,000 or more households (2000 census) per square mile.
- **Low Household Growth** – Less than 4% increase in number of households from 1990 to 2000.
- **Infrastructure Density** – 8 miles or more of streets per square mile of community.
- **Modest New Housing** – Average value of residential new construction 1994 to 2001 less than 1% of  
of average value of all residential real estate.
- **Below Average Appreciation** – Total assessed value of real estate increase 1990 to 2001 less than  
County median.

Member cities as of December 31, 2009 are:

Bedford	Euclid	Shaker Heights
Bedford Heights	Fairview Park	South Euclid
Brook Park	Garfield Heights	University Heights
Cleveland Heights	Lakewood	Warrensville Heights
Cuyahoga Heights	Maple Heights	
East Cleveland	Parma	

**FIRST SUBURBS CONSORTIUM OF NORTHEAST OHIO COUNCIL OF GOVERNEMENTS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Membership Dues**

The Chair has been directed by the members to expend two-thirds (2/3) of members' dues for administrative support for the Consortium and one-third (1/3) for mission-oriented outreach activities.

**C. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**D. Fund Accounting**

The Consortium uses fund accounting to segregate cash and investments that are restricted as to use. The Consortium classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources.

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are immaterial and not reflected as assets on the accompanying financial statements.

**2. Deposits with Financial Institutions**

The City of Cleveland Heights (Ohio), a member, provides (at no cost) accounting and investment services in its role as fiscal agent to the Consortium. All Consortium monies are deposited into the same pooled funds held by the City, which prescribes to Ohio law requiring deposits be placed in eligible banks or building and loan associations located in Ohio. The Consortium's funds are classified as "active" by the City and are therefore maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand.

Interest income is allocated to the Consortium's average share of pooled funds on an annual basis.

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.



**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by *Government Auditing Standards***

First Suburbs Consortium of Northeast Ohio Council of Governments  
Cuyahoga County  
40 Severance Circle  
Cleveland Heights, Ohio 44118

To the Board of Directors:

We have audited the financial statements of the First Suburbs Consortium of Northeast Ohio Council of Governments, Cuyahoga County, (the Consortium), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 28, 2010 wherein we noted the Consortium prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Consortium's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Consortium's internal control over financial reporting.

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

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

**Compliance and Other Matters**

As part of reasonably assuring whether the Consortium's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Board of Directors  
First Suburbs Consortium of Northeast Ohio Council of Governments  
Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Required by *Government Auditing Standards*  
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We intend this report solely for the information and use of management and members of the Board of Directors and others within the Consortium. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
May 28, 2010



**Mary Taylor, CPA**  
Auditor of State

**FIRST SUBURBS CONSORTIUM OF NORTHEAST OHIO COUNCIL OF GOVERNMENTS**

**CUYAHOGA 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  
SEPTEMBER 30, 2010**