



Dave Yost • Auditor of State

CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

Chagrin/Southeast Council of Governments
Cuyahoga County
5661 Perkins Road
Bedford Heights, Ohio 44146

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

December 1, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Chagrin/Southeast Council of Governments
Cuyahoga County
5661 Perkins Road
Bedford Heights, Ohio 44146

To the Board of Trustees:

We have audited the accompanying financial statements of Chagrin/Southeast Council of Governments, Cuyahoga, County, Ohio, (the Council) as of and for the years ended December 31, 2010 and 2009. 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 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 Council 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.

While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat its statements. The Council has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported 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, 2010 and December 31, 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of December 31, 2010 and December 31, 2009, or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Chagrin/Southeast Council of Governments, Cuyahoga County, Ohio, as of December 31, 2010 and December 31, 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is 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 December 1, 2011, on our consideration of the Council'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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 1, 2011

**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - THE GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Cash Receipts:		
Membership Dues	\$63,000	\$63,000
Grants	37,516	9,942
Earnings on Investments	300	535
Reimbursements	730	1,000
Miscellaneous	3,002	1,964
Total Cash Receipts	104,548	76,441
Cash Disbursements:		
Salaries	2,500	2,500
Purchased Services	3,864	8,847
Supplies and Materials	11,885	4,035
Equipment	3,372	22,723
Training Conferences	14,820	25,250
Debt Service	15,227	15,227
Miscellaneous	74	503
Total Cash Disbursements	51,742	79,085
Total Receipts Over/(Under) Disbursements	52,806	(2,644)
Excess of Cash Receipts Over/(Under) Cash Disbursements	52,806	(2,644)
Cash Balances, January 1	190,339	192,983
Cash Balances, December 31	\$243,145	\$190,339

The notes to the financial statement are an integral part of this statement.

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**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Chagrin/Southeast Council of Governments, Cuyahoga County, Ohio, (the Council) is a Regional Council of Governments established under the authority of Ohio Revised Code Chapter 1702 and 167. The Council is comprised of 18 local municipalities. The Council is directed by a three-member Board of Trustees which is elected by the members. The Council was formed to foster cooperation between the member municipalities in the area of hazardous material spill mitigation. Each member pays \$3,500 in annual membership dues.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Council's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report.

D. Fund Accounting

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

General Fund

The General Fund reports all financial resources.

E. Property, Plant, and Equipment

The Council records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. EQUITY IN CASH AND INVESTMENTS

The Council maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$3,689	\$1,184
Investment - money market	<u>239,456</u>	<u>189,155</u>
Total deposits and investments	<u>\$243,145</u>	<u>\$190,339</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation.

Investments: Investments in money markets are not evidenced by securities that exist in physical or book-entry form.

3. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Loan	\$41,466	5%

In 2000, the Council entered into an agreement with the City of Solon whereby the City purchased a HAZMAT vehicle on behalf of the Council. The total cost of the vehicle was \$204,533 of which the Council paid \$61,500 up front. The remaining principal balance of \$88,107 was amortized through a 13 year loan to be paid in annual principal and interest payment of \$15,227.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year Ending December 31:</u>	<u>Loan</u>
2011	\$15,227
2012	15,227
2013	<u>15,227</u>
Total	<u>\$45,681</u>



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Chagrin/Southeast Council of Governments
Cuyahoga County
5661 Perkins Road
Bedford Heights, Ohio 44146

To the Board of Trustees:

We have audited the financial statements of the Chagrin/Southeast Council of Governments, Cuyahoga County, Ohio, (the Council) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated December 1, 2011, wherein we noted the Council followed accounting practices the Auditor of State prescribes 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of reasonably assuring whether the Council'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to Council's management in a separate letter dated December 1, 2011.

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Council's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Trustees and others within the Council. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

December 1, 2011

**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

Publicizing Public Meetings – Material Noncompliance Finding

Ohio Rev. Code § 121.22(C) provides that all meetings of any public body are to be open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

Ohio Rev. Code § 121.22(F) provides that every public body shall, by rule, establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place, and purpose of all special meetings. A public body shall not hold a special meeting unless it gives at least twenty-four hours advance notice to the news media that have requested notification, except in the event of any emergency requiring immediate official action. In the event of an emergency, the member or members calling the meeting shall notify the news media that have requested immediate notification.

The Council's governing body held 12 meetings in 2010 and 11 meetings in 2009 to discuss issues such as the approval of expenditures, applying for grants, increasing annual dues, and the establishment of committees. In our opinion these meetings should have been open to the public. However, the Council did not publicize the meeting time, place and purpose.

We recommend the Council's governing body establish procedures on notifying the general public and news media of the meeting time, place and purpose.

Council's Response

We will correct this in the future.

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**CHAGRIN/SOUTHEAST COUNCIL OF GOVERNMENTS
 CUYAHOGA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	The Council's governing body held public meetings but did not publicize the meeting time, place and purpose as required by Ohio Revised Code § 121.22(C) and (F).	No	Repeated in the 2010/2009 audit report, see finding 2010-01.

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CHAGRIN SOUTHEAST 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
DECEMBER 15, 2011**