



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

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:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the First Suburbs Consortium of Northeast Ohio, Council of Governments, Cuyahoga, County, Ohio, (the Consortium) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Consortium's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Consortium's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Consortium prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the First Suburbs Consortium of Northeast Ohio, Council of Governments, Cuyahoga County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2014

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES (CASH BASIS) THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Fund
Cash Receipts:	
Membership Dues	\$ 48,000
Intergovernmental Contribution	19,049
Miscellaneous	7,500
	362
Total Cash Receipts	74,911
Cash Disbursements:	
Salaries and Benefits	44,938
Consulting Fee	15,000
Office Expenses	1,427
Legal and Accounting	1,435
Miscellaneous	1,138
Total Cash Disbursements	63,938
Total Receipts Over/(Under) Disbursements	10,973
Fund Cash Balances, January 1	39,122
Fund Cash Balances, December 31	
Unassigned (Deficit)	50,095
Fund Cash Balances, December 31	\$ 50,095

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

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES (CASH BASIS) THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General Fund
Cash Receipts:	
Membership Dues	\$ 24,000
Intergovernmental	19,049
Total Cash Receipts	43,049
 Cash Disbursements:	
Salaries and Benefits	42,941
Office Expenses	9,826
Seminars	1,573
Miscellaneous	354
Total Cash Disbursements	54,694
 Total Receipts Over/(Under) Disbursements	(11,645)
 Fund Cash Balances, January 1	50,767
 Fund Cash Balances, December 31	
Unassigned (Deficit)	39,122
 Fund Cash Balances, December 31	\$ 39,122

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 is 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 following criteria are considered upon application 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 average value of all residential real estate.
- Below Average Appreciation – Total assessed value of real estate increase 1990 to 2001 less than County median.

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

Member Cities are as follows:

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

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 Consortium 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Deposits and Investments

The City of Cleveland Heights, a member, is the fiscal agent for the Consortium and holds the Consortium deposits. The City holds the Consortium's assets in its investment pool, valued at the City's reported carrying amount.

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 type:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Consortium must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Consortium classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

The Board of Directors can commit amounts via formal action (resolution). The Consortium must adhere to these commitments unless the Board of Directors amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Directors or a Consortium official delegated that authority by resolution, or by State Statute.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Retirement Systems

The Consortium's utilizes employees from the City of Cleveland Heights to administer its operations. The employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10 percent, of their gross salaries and the Consortium contributed an amount equaling 14 percent of participants' gross salaries. The City is responsible for collecting all contributions and remits all payments.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the First Suburbs Consortium of Northeast Ohio, Council of Governments, Cuyahoga County, Ohio (the Consortium) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 29, 2014, wherein we noted the Consortium followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Consortium's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Consortium's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Consortium's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 2013-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Consortium's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 29, 2014

**FIRST SUBURBS CONSORTIUM OF NORTHEAST OHIO
COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Noncompliance – Expenditures Not Related to Consortium Operations

Ohio Rev. Code § 5705.10(I) provides that money paid into a fund must be used only for the purposes for which such fund has been established.

The City of Cleveland Heights (the City) is the fiscal agent for the Consortium and provides the staffing and accounting system. A review of the accounting structure disclosed the fund established for the Consortium also includes a sub-fund for the activity related to the First Suburbs Development Council, (the Development Council), a legally separate Council of Governments. The activity for the Development Council relates to their portion of the salaries for the City's employees who also provide administrative services for the Consortium. This indicates monies for the Consortium are being used to pay obligations for the Development Council and not for purposes for which it was established.

During 2013 and 2012, the Consortium was reimbursed \$19,049 for each year by the Development Council for expenditures paid by the Consortium on their behalf.

We recommend the fund established for the Consortium not include activities related to the operation of the Development Council. The City should establish a separate fund for the Development Council and bill them directly for their portion of the administrative expenses.

Consortium's Response

Beginning with fiscal year 2014, the First Suburbs Development Council has provided the revenue necessary to cover the expense rather than reimburse the First Suburbs Consortium after the expense has occurred. A new fund has been established to segregate the funds from the Development Council from the Consortium going forward.

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FIRST SUBURBS CONSORTIUM OF NORTHEAST OHIO
COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Adjustments to cash were made by the prior auditors and reflected in the financial statements issued but were not posted to the Consortium's accounting system. As a result, the beginning cash fund balance agreed to the accounting system but not the prior issued financial statements ending balance. This resulted in a restatement in the beginning cash fund balance.	Yes	
2011-02	Funds of the Consortium were used to pay for activities of another legally separate entity that were subsequently reimbursed by that entity, contrary to Ohio Revised Code § 5705.10(l).	No	Not Corrected, see finding 2013-001

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Dave Yost • Auditor of State

FRIST 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 11, 2014**