



**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2003**



**Auditor of State  
Betty Montgomery**



**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Northeast Ohio Areawide Coordinating Agency  
Cuyahoga County  
1299 Superior Avenue  
Cleveland, Ohio 44114-3204

We have audited the accompanying general-purpose financial statements of the Northeast Ohio Areawide Coordinating Agency, Cuyahoga County, Ohio, (NOACA) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of NOACA's management. Our responsibility is to express an opinion on these general-purpose 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Northeast Ohio Areawide Coordinating Agency, Cuyahoga County, Ohio, as of June 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2003 on our consideration of NOACA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The combining financial statements for the Special Revenue Funds listed in the table of contents, are presented for additional analysis and are not a required part of the general-purpose financial statements. The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

We did not audit the fixed rate computation schedules as listed in the table of contents and therefore express no opinion thereon.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 26, 2003

NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
 CUYAHOGA COUNTY  
 COMBINED BALANCE SHEET  
 AS OF JUNE 30, 2003

	ACCOUNT GROUPS				TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE FUND	GENERAL FIXED ASSET ACCOUNT GROUP	GENERAL L-T DEBT ACCOUNT GROUP	
<b>ASSETS</b>					
Cash & Cash Equivalents	\$ 2,035,044	\$ 76,059	\$ -	\$ -	\$ 2,111,103
Restricted Cash	335,360	-	-	-	335,360
Receivable Clearing Account	53,054	449,926	-	-	502,980
Interfund Receivable	428,842	5,584	-	-	434,426
General Fixed Assets in Service Building	-	-	652,200 3,345,000	-	652,200 3,345,000
On Deposit - Other Prepaid	670 7,609	-	-	-	670 7,609
Amount to be provided - Capital Lease	-	-	-	2,548,806	2,548,806
Amount to be provided - Vacation	-	-	-	208,252	208,252
Amount to be provided - Sick	-	-	-	118,660	118,660
Amount to be provided in General Fund	-	-	-	335,360	335,360
<b>TOTAL ASSETS</b>	<b>\$ 2,860,579</b>	<b>\$ 531,569</b>	<b>\$ 3,997,200</b>	<b>\$ 3,211,078</b>	<b>\$ 10,600,426</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts Payable - Trade	\$ 78,738	\$ 45,880	\$ -	\$ -	\$ 124,618
Accounts Payable - Misc. Emp.	3,948	-	-	-	3,948
Salaries Payable	100,063	-	-	-	100,063
Accrued S-T Vacation Payable	32,843	-	-	-	32,843
Accrued S-T Sick Payable	12,192	-	-	-	12,192
Interfund Payable	5,584	428,842	-	-	434,426
Deferred Revenue	-	126,036	-	-	126,036
Accrued Vacation Leave	-	-	-	208,252	208,252
Accrued Sick Leave	-	-	-	118,660	118,660
Capital Lease Payable	-	-	-	2,884,166	2,884,166
<b>TOTAL LIABILITIES</b>	<b>\$ 233,368</b>	<b>\$ 600,758</b>	<b>\$ 0</b>	<b>\$ 3,211,078</b>	<b>\$ 4,045,204</b>
<b>EQUITY</b>					
Investment in General Fixed Assets From General Fund Revenues	\$ -	\$ -	\$ 3,997,200	\$ -	\$ 3,997,200
Designated Fund Balance	335,360	-	-	-	335,360
Undesignated Fund Balance	2,291,851	(69,189)	-	-	2,222,662
<b>TOTAL EQUITY</b>	<b>\$ 2,627,211</b>	<b>\$ (69,189)</b>	<b>\$ 3,997,200</b>	<b>\$ -</b>	<b>\$ 6,555,222</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,860,579</b>	<b>\$ 531,569</b>	<b>\$ 3,997,200</b>	<b>\$ 3,211,078</b>	<b>\$ 10,600,426</b>

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

NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
 CUYAHOGA COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	GENERAL FUND	SPECIAL REVENUE FUNDS	TOTALS (MEMORANDUM ONLY)
<b>REVENUES</b>			
Intergovernmental	\$ 74,698	\$ 3,638,118	\$ 3,712,816
Other	51,976	960	52,936
Membership Dues	115,360	522,640	638,000
Charges for Services	205,489	-	205,489
<b>TOTAL REVENUES</b>	<u>447,523</u>	<u>4,161,718</u>	<u>4,609,241</u>
<b>EXPENDITURES</b>			
Direct Salaries	22,901	1,315,201	1,338,102
Fringes	3,215	805,695	808,910
Indirect	78,350	1,760,557	1,838,907
Legislative Liaison	39,992	-	39,992
Telephone	270	1,888	2,158
Travel	12,238	16,755	28,993
Training	5,801	9,908	15,709
Supplies	83	7,912	7,995
Postage	2,016	1,188	3,204
Hardware/Software	-	4,789	4,789
Meeting Costs	3,023	8,463	11,486
Private Consultants	2,960	129,356	132,316
Outside Reproduction	-	26,140	26,140
Advertising/Meeting Ads	-	24,672	24,672
Maint & Repair	17	9,058	9,075
Publications	150	429	579
Professional Dues	295	-	295
Memberships	-	2,226	2,226
Miscellaneous	410	-	410
Capital Outlay	25,542	-	25,542
<b>TOTAL EXPENDITURES</b>	<u>197,263</u>	<u>4,124,237</u>	<u>4,321,500</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>250,260</u>	<u>37,481</u>	<u>287,741</u>
<b>FUND BALANCE, July 1, 2002</b>	<u>2,376,951</u>	<u>(106,670)</u>	<u>2,270,281</u>
<b>FUND BALANCE, June 30, 2003</b>	<u>\$ 2,627,211</u>	<u>\$ (69,189)</u>	<u>\$ 2,558,022</u>

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



**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE REPORTING ENTITY AND BASIS OF PRESENTATION**

The Northeast Ohio Areawide Coordinating Agency (NOACA) is a comprehensive planning and transportation agency formed for the purpose of coordinating and reviewing federal and state funded planning activities and proposals in northeast Ohio. NOACA was created under Section 307.14, Revised Code. Members of NOACA include the counties of Cuyahoga, Geauga, Lake, Lorain and Medina, and membership is open to all cities, villages, and townships located in those counties. The Governing Board is made up of representatives, who hold public office, from the various member counties. There are approximately 37 voting representatives on the NOACA Board which fluctuates according to population.

Governmental accounting standards require disclosure of any organizations for which NOACA is financially accountable. NOACA's combined financial statements (General Purpose Financial Statements) consist of all funds, departments, commissions and boards that are not legally separate from NOACA. NOACA is financially accountable for an organization if NOACA appoints a voting majority of the organization's governing board and (1) NOACA is able to significantly influence the programs or services performed or provided by the organization; or (2) NOACA is legally entitled to or can otherwise access the organization's resources; NOACA is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or NOACA is obligated for the debt of the organization. The criteria for including entities and funds in NOACA's financial statements are in agreement with the Governmental Accounting Standards Board (GASB) Statement 14, Sec. 2100, Authoritative Status of Pronouncements. There are no other governments for which NOACA is financially accountable that require inclusion in this presentation.

The accounts of NOACA are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the general purpose financial statements.

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

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

**A. DESCRIPTION OF THE REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

NOACA uses the following fund types and account groups:

**GOVERNMENTAL FUND TYPES:**

Governmental funds are those through which most governmental functions of NOACA are financed. The acquisition, use and balances of NOACA's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are NOACA's governmental fund types:

**General Fund.** The General Fund is the operating fund of NOACA and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to NOACA for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds.** Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

**ACCOUNT GROUPS:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group.** This account group is established to account for general fixed assets of NOACA.

**General Long-Term Obligations Account Group.** This account group is established to account for all long-term obligations of NOACA. NOACA's long-term debt at year-end consists of accrued vacation, sick leave, and the capital lease obligation.

**B. BASIS OF ACCOUNTING**

The accompanying financial statements of NOACA are prepared in conformity with generally accepted accounting principles for local government units as prescribed in statements and interpretations issued by the Governmental Accounting Standards Board (GASB).

All financial transactions for the Governmental funds are reported on the modified accrual basis of accounting. Under this accounting method, revenues are recognized when they become susceptible to accrual, that is, when they are measurable and available to finance NOACA's operations. Revenues accrued at the end of the year consist of reimbursements from other governments for grant expenditures and membership dues received within sixty days after year-end. Governmental fund expenditures are accrued when the related fund liability is incurred.

Non-exchange transactions, in which the NOACA receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

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

**B. BASIS OF ACCOUNTING (Continued)**

Eligibility requirements including timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the NOACA must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the NOACA on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**BUDGETARY AND ACCOUNTING CONTROL:** In May/June of each year, management submits an estimate of operating expenditures for the current calendar year to the NOACA Board for their approval. In addition, a fiscal year budget prepared by project is submitted to the Ohio Department of Transportation as a basis for NOACA's overall work program. NOACA is not subject to Ohio Revised Code budgetary requirements.

**CASH AND SHORT TERM INVESTMENTS:** Cash and short term investments consist of bank balances, investments in the State Treasurer's Investment Pool, an overnight sweep account, certificates of deposit, and government securities.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2003.

**RESTRICTED CASH:**

NOACA is required to maintain a cash balance with Huntington Banks equal to 10% of the Bond proceeds related to the capital lease with the Cleveland Cuyahoga County Port Authority for the building located at 1299 Superior Avenue, Cleveland, Ohio.

The carrying amount of \$335,360 with Huntington Banks represents the 10% reserve requirement. This cash is therefore restricted and identified as such in the assets and equity sections of the balance sheet.

**FIXED ASSETS:** Fixed assets in service are stated on the basis of historical cost or, if contributed, at fair market value at the date received. Depreciation is not provided for in the General Fixed Asset Account Group. Interest incurred during construction is not capitalized on General Fixed Assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

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

**B. BASIS OF ACCOUNTING (Continued)**

**ACCRUED VACATION AND SICK LEAVE:** NOACA records accumulated unpaid vacation and sick leave when earned by employees. For Governmental funds, the portion of the liability which is not currently due and payable is recorded in the General Long-Term Debt Account Group. For Governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded (in the account "Accrued S-T Vacation Payable" and "Accrued S-T Sick Payable") in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Debt Account Group. Payments made more than sixty days after year-end are generally considered not to have been paid with current available resources.

**FEDERAL AND STATE AGENCY GRANT FUNDS:** Project funds authorized under federal and state agency grants are requisitioned from such agencies either on an advance basis or for reimbursement of eligible costs incurred up to amounts contracted for under each grant. These funds are accounted for at the time eligible costs are incurred.

**LOCAL CONTRIBUTIONS:** Member units of government are assessed membership dues to generate local operating funds and to provide the local matching requirements of federal and state grants.

A local matching contribution is required in most federal and state grants. The exact amount of each matching contribution depends on the federal or state contribution level.

The membership dues are assessed in May or June for the current fiscal year and are accounted for at the time the dues are invoiced. The assessment is made on the basis of the relationship of population in each area as a percentage of the total population served by NOACA.

**INDIRECT COSTS:** To facilitate equitable distribution of common purpose costs benefiting more than one indirect cost objective, NOACA has negotiated an agency-wide indirect cost allocation plan with its oversight federal agency, the Federal Highway Administration through the Ohio Department of Transportation (ODOT). Rates are based upon a percentage of direct wages and applicable fringe benefits to include sick time, holiday pay, vacation pay, personal days, employer and employee portion of retirement, workers compensation insurance, hospitalization and unemployment insurance. A fixed indirect cost rate is approved annually by ODOT for use during the fiscal year based upon the previous year's actual experience. Differences between the fixed and actual rate will be adjusted in the subsequent year. Negative expenditures may result.

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (INCLUDING REPURCHASE AGREEMENTS)**

**CASH AND INVESTMENTS:**

NOACA maintains cash and cash equivalents at local depository institutions. These amounts are displayed on the balance sheet.

**LEGAL REQUIREMENTS:**

Ohio Revised Code requires the classification of deposits held by NOACA into three categories. Category 1 consists of "active" monies needed for immediate use by NOACA. Such monies must be maintained either as cash in NOACA treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (INCLUDING REPURCHASE AGREEMENTS) (Continued)**

**LEGAL REQUIREMENTS: (Continued)**

Category 2 consists of "inactive" deposits, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the period of designation of depositories.

Category 3 consists of "interim" deposits, those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits may be invested or deposited in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**DEPOSITS:**

As of June 30, 2003, the carrying amount of NOACA's deposits was \$393,042 and the bank balance was \$485,629. Of the bank balance \$300,000 was covered by the federal depository insurance or by individual surety bonds and \$185,629 was uninsured and uncollateralized. However, the balance was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (INCLUDING REPURCHASE AGREEMENTS) (Continued)**

**INVESTMENTS:**

NOACA's investments are categorized to give an indication of the level of risk assumed by NOACA at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by NOACA. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in NOACA's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in NOACA's name.

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Huntington Bank Money Market		\$ 133,464	\$ 133,464
STAR Ohio		1,117,514	1,117,514
Treasury Bill	\$ 99,866	99,866	99,866
Treasury Note	102,031	102,031	102,031
FHLB	200,080	200,080	200,080
FHLMC	201,380	201,380	201,380
FNMA	<u>199,086</u>	<u>199,086</u>	<u>199,086</u>
 TOTAL	 <u>\$802,443</u>	 <u>\$2,053,421</u>	 <u>\$2,053,421</u>

STAR Ohio and Huntington Bank are not classified by degree of credit risk since they are not evidenced by securities that exist in physical or book entry form. Interest revenue credited to the General Fund during 2003 amounted to \$51,975.56, which includes interest assigned from other funds.

**3. PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**PENSION BENEFITS**

NOACA contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple employer public employee defined benefit pension plan. OPERS provides retirement, disability, health care coverage and death benefits based on eligible service credit to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy from OPERS by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**3. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)**

**PENSION BENEFITS (Continued)**

The funding policy for the above plan is as follows:

The Ohio Revised Code provides statutory authority for employee and employer contributions. During fiscal year 2003, OPERS employees contributed 8.5% of their salary to the plan and NOACA contributed 13.55% of covered payrolls to the plan. Required employer contributions are equal to 100% of the dollar amount billed to each employer. The contributions to OPERS for the years ending June 30, 2001, 2002 and 2003 were \$246,668, \$339,987 and \$333,388, respectively, equal to 100% of the required contributions for each year.

**Other Post-employment Benefits (OPEB)**

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 and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment 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. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate was 13.55% of covered payroll for all employees; 5% was the portion that was used to fund health care for the year 2002.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8 percent, annual increase in active employee total payroll of 4 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.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing efforts to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

The number of active contributing participants was 402,041. NOACA's actual contributions for 2003, which were used to fund post-employment benefits, were \$123,020 (assuming a rate of 36.90 percent during the period). OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion respectively.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**4. CHANGE IN GENERAL FIXED ASSETS**

Changes in general fixed assets during the year ended June 30, 2003 were as follows:

	<u>July 1, 2002</u>	<u>Additions (Reductions)</u>	<u>June 30, 2003</u>
Furniture/Equipment	\$ 633,819	\$18,381	\$ 652,200
Building	<u>3,345,000</u>	<u>-0-</u>	<u>3,345,000</u>
TOTAL	<u>\$3,978,819</u>	<u>\$18,381</u>	<u>\$3,997,200</u>

**5. COMPENSATED ABSENCES**

In conformity with Government Accounting Standards Board (GASB) Statement No. 16, NOACA accrues all types of leave benefits as earned by its employees.

Employees of NOACA earn vacation leave, sick leave, and personal leave at various rates. Generally, employees accrue vacation leave at a rate of 3.7 hours every two weeks for the first five years of employment, up to a maximum rate of 7.4 hours every two weeks after 15 years of employment.

Employees may accrue a maximum of four years vacation leave credit. Any amounts that exceed a four-year accrual are paid to the employee through the annual conversion program at 100 percent of the employee's hourly rate. At termination or upon other separation from NOACA, employees are paid at their full rate for 100 percent of unused vacation leave.

**SICK LEAVE:** Sick leave for all full-time employees is accumulated at a rate of 4.6 hours every two weeks. Sick leave is cumulative. All employees must keep 240 hours (6 weeks) sick leave as a minimum balance to participate in the program. Between 240 and 960 hours, or 720 hours, employees may annually choose to cash in some or all of their sick time at one hour for every four, or 25 percent pay out at current salary levels. (E.g., if employees choose, they can cash in the full 720 hours, and will receive payment for 180 hours of work). If employees have a balance beyond 960 hours they will not lose it; it remains in their pool. At termination, retirement or death, employees may convert sick leave to cash at one hour for every four (25%) up to a maximum of 960 hours. (E.g., if you cash in the full 960 hours you will receive payment for 240 hours of work).

**PERSONAL LEAVE:** All full-time employees receive two personal leave days (16 hours) per fiscal year. The time must be used by the end of the year or it is lost. Unused personal leave is not paid at termination and is not cumulative. Therefore, these benefits are not accrued, but are recorded as an expenditure when employees use personal leave time.

The change in the long-term portion of accrued vacation and sick leave is itemized below:

	<u>July 1, 2002</u>	<u>Additions (Reductions)</u>	<u>June 30, 2003</u>
Vacation	\$223,788	\$ (15,536)	\$208,252
Sick	<u>136,139</u>	<u>(17,479)</u>	<u>118,660</u>
Total Change in Accrual Leave	<u>\$359,927</u>	<u>\$(33,015)</u>	<u>\$326,912</u>



**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**6. INTERFUND RECEIVABLES/PAYABLES**

Individual fund interfund receivables and payables as of June 30, 2003, are as follows:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$428,842	5,584
Special Revenue Funds:		
Regional Stormwater	5,584	
Rocky River Watershed		62,305
FTA OH-03-0200		27
OEPA 604(B)		45,853
Public Access to Monitored A.Q.		3,980
Lower Big Creek		15,796
OCPG- FHWA/FTA		187,472
Rideshare		78,877
Regional Pavement Management		26,370
CMAQ		1,204
Reverse Commute	_____	6,958
 TOTAL	 <u>\$434,426</u>	 <u>\$434,426</u>

**7. RISK MANAGEMENT**

NOACA is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2003 NOACA contracted with CGU/Acuity Insurance Company for property insurance. Public Officials Liability coverage is provided by United National Insurance Company with a \$1.0 million aggregate limit. Public Employee Dishonesty coverage is provided by the Fidelity and Deposit Insurance Company with \$500,000 limit per loss. Settled claims have not exceeded coverage for the past four years. There have been no significant reductions in insurance coverage from last year.

NOACA pays the Bureau of Worker's Compensation a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOACA provides health insurance to its full-time employees. Health insurance is provided through one of two plans: Kaiser, and Anthem Blue Cross/Blue Shield. Kaiser and Anthem Blue Cross/Blue Shield claims are the responsibility of and paid for by the respective carriers.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**8. CAPITAL LEASE**

NOACA entered into a capital lease with the Cleveland-Cuyahoga County Port Authority (CCCPA) on March 1, 1998. The lease term is for a period of 20 years commencing on January 1, 1999, with an option to purchase the building at the completion of the lease on May 15, 2018, for \$1.00.

The lease provides that CCCPA will hold title to the building and lease it to NOACA under a financing lease structure. The bonds are a series of bonds of the CCCPA Bond Fund Program. The bond fund is currently rated "BBB+" by Fitch Investor Service.

Assets under the capital lease totaled \$3,345,000 at June 30, 2003. The following is a schedule of the future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2003.

<u>Year Ending</u>	<u>Building</u>
2004	\$ 288,269
2005	286,863
2006	289,185
2007	285,972
2008	287,466
2009-2013	1,440,935
2014-2018	<u>1,398,882</u>
Total minimum lease payments	4,277,572
Less: amount representing interest	<u>1,393,406</u>
Present value of minimum lease payments	<u>\$2,884,166</u>

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Grant Number	Federal CFDA Number	Disbursements
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<i>Direct Program:</i>			
Public Access to Monitored AQ	Sec. 103 CCA	66.454	39,444
<i>Passed Through Ohio EPA:</i>			
Water Quality Management Planning	604(B) FY 2002	66.454	50,441
Total U.S. Environmental Protection Agency			89,885
<b><u>U.S. DEPARTMENT OF HIGHWAY PLANNING AND CONSTRUCTION</u></b>			
<i>Passed Through Ohio Department of Transportation:</i>			
FEDERAL HIGHWAY ADMINISTRATION			
Highway Planning and Construction Grant			
Federal Aid Urban System	Rideshare - '02	20.205	68,565
Federal Aid Urban System	Rideshare - '03	20.205	278,917
FHWA/FTA Program	FY '02 OCPG	20.205	82,606
FHWA/FTA Program	FY '03 OCPG	20.205	2,468,961
CMAQ	Ozone Action Day	20.205	40,330
Regional Pavement Management	Regional Pavement Mgmt	20.205	32,369
Reverse Commute	FY '00 Reverse Commute	20.205	15,801
Total Highway Planning and Construction Grant			2,987,549
Total Federal Highway Administration			2,987,549
FEDERAL TRANSIT ADMINISTRATION			
Federal Transit Cluster			
Federal Transit Capital Improvement Grant			
Section 3 - Innovative Techniques	OH-03-0200	20.500	531
Total Federal Transit Capital Improvement Grant			531
Total Federal Transit Administration/Cluster			531
Total U.S. Department of Highway Planning and Construction			2,988,080
<b>Total Federal Financial Assistance</b>			<b>3,077,965</b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS REVENUES  
AND EXPENDITURES  
JUNE 30, 2003**

**BASIS OF PRESENTATION**

The accompanying Schedule of Federal Awards Revenues and Expenditures is prepared on the cash basis of accounting.

**MATCHING REQUIREMENTS**

Certain Federal programs require that the NOACA contribute non-Federal funds (matching funds) to support the Federally-funded programs. NOACA has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
 CUYAHOGA COUNTY  
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS  
 AS OF JUNE 30, 2003

604 (B)	REGIONAL STORM WATER	OCPG	RIDE SHARE	CMAQ	STATE W.Q.	LOWER BIG CREEK	ROCKY RIVER WTRSHD	PUBLIC ACCESS MON. A.Q.	REVERSE COMMUTE	RPM	FTA OH-03-0200	TOTALS (MEMORANDUM ONLY)
	Cash	-	-	-	76,059	-	-	-	-	-	-	76,059
46,097	Receivable Clearing Account	203,882	80,991	1,476	-	15,796	50,200	5,746	6,958	26,370	27	449,926
-	Due from other Funds	-	-	-	-	-	-	-	-	-	-	5,584
<u>46,097</u>	<u>TOTAL ASSETS</u>	<u>203,882</u>	<u>80,991</u>	<u>1,476</u>	<u>76,059</u>	<u>15,796</u>	<u>50,200</u>	<u>5,746</u>	<u>6,958</u>	<u>26,370</u>	<u>27</u>	<u>531,569</u>
	<b>LIABILITIES AND EQUITY</b>											
	<b>LIABILITIES</b>											
244	Accounts Payable - Trade	16,410	2,114	272	223	-	6,884	1,766	-	-	-	45,880
45,853	Deferred Revenue	-	-	-	75,836	-	50,200	-	-	-	-	126,036
-	Due to other Funds	187,472	78,877	1,204	-	15,796	62,305	3,980	6,958	26,370	27	428,842
<u>46,097</u>	<u>TOTAL LIABILITIES</u>	<u>203,882</u>	<u>80,991</u>	<u>1,476</u>	<u>76,059</u>	<u>15,796</u>	<u>119,389</u>	<u>5,746</u>	<u>6,958</u>	<u>26,370</u>	<u>27</u>	<u>600,758</u>
	<b>EQUITY</b>											
-	Investment in General Fixed Assets	-	-	-	-	-	-	-	-	-	-	-
-	From General Fund Revenues	-	-	-	-	-	(69,189)	-	-	-	-	(69,189)
0	Undesignated Fund Balance	0	0	0	0	0	(69,189)	0	0	0	0	(69,189)
<u>46,097</u>	<u>TOTAL LIABILITIES AND EQUITY</u>	<u>203,882</u>	<u>80,991</u>	<u>1,476</u>	<u>76,059</u>	<u>15,796</u>	<u>50,200</u>	<u>5,746</u>	<u>6,958</u>	<u>26,370</u>	<u>27</u>	<u>531,569</u>

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

NORTHEAST OHIO AREA-WIDE COORDINATING AGENCY  
 CUYAHOGA COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	UPPER BLACK RIVER	604 (B)	REGIONAL STORM WATER	OCPG	RIDE SHARE	CMAQ	STATE W.Q.	LOWER BIG CREEK	ROCKY RIVER WTRSHD	PUBLIC ACCESS MON.A.Q.	REVERSE COMMUTE	RPM	FTA OH-03-0200	TOTALS (MEMORANDUM ONLY)
<b>REVENUES</b>														
Intergovernmental	42,000	50,539	83,184	2,885,282	349,596	40,548	4,454	83,812	9,000	41,002	15,801	32,369	531	3,638,118
Other	-	-	-	960	-	-	-	-	-	-	-	-	-	960
Membership Dues	-	76,880	44,232	330,877	-	10,137	1,337	27,156	22,232	5,706	3,950	-	133	522,640
Charges for Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>42,000</b>	<b>127,419</b>	<b>127,416</b>	<b>3,217,119</b>	<b>349,596</b>	<b>50,685</b>	<b>5,791</b>	<b>110,968</b>	<b>31,232</b>	<b>46,708</b>	<b>19,751</b>	<b>32,369</b>	<b>664</b>	<b>4,161,718</b>
<b>EXPENDITURES</b>														
Direct Salaries	-	41,746	29,632	1,062,615	105,421	3,390	1,828	20,946	18,678	13,070	6,692	10,958	225	1,315,201
Fringes	-	25,574	18,153	650,958	64,581	2,077	1,120	12,832	11,442	8,007	4,100	6,713	138	805,695
Indirect	-	55,883	39,667	1,422,437	141,118	4,538	2,448	28,039	25,002	17,496	8,959	14,669	301	1,760,557
Telephone	-	462	3	676	331	405	-	-	5	-	-	1	-	1,888
Travel	-	731	322	13,717	1,407	-	259	69	250	-	-	-	-	16,755
Training	-	15	-	8,412	1,481	-	-	-	-	-	-	-	-	9,908
Supplies	-	-	-	768	7,144	-	-	-	-	-	-	-	-	7,912
Postage	-	-	-	1,087	90	-	-	11	-	-	-	-	-	1,188
Hardware/Software	-	763	-	2,884	-	-	-	1,142	-	-	-	-	-	4,789
Meeting Costs	-	46	-	8,059	12	-	123	223	-	-	-	-	-	8,463
Private Consultants	-	-	38,697	7,660	23,952	23,150	-	12,315	15,452	8,130	-	-	-	129,356
Outside Reproduction	-	368	910	24,537	325	-	-	-	-	-	-	-	-	26,140
Advertising/Meeting Ads	-	-	-	3,688	3,984	16,800	-	-	-	-	-	-	-	24,672
Maint & Repair	-	1,831	32	6,841	-	-	13	160	153	-	-	28	-	9,058
Publications	-	-	-	429	-	-	-	-	-	-	-	-	-	429
Professional Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Memberships	-	-	-	2,151	75	-	-	-	-	-	-	-	-	2,226
Other Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>127,419</b>	<b>127,416</b>	<b>3,217,119</b>	<b>349,596</b>	<b>50,685</b>	<b>5,791</b>	<b>75,737</b>	<b>70,982</b>	<b>46,708</b>	<b>19,751</b>	<b>32,369</b>	<b>664</b>	<b>4,124,237</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>42,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,231</b>	<b>(39,750)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,481</b>
<b>OTHER FINANCING SOURCES (USES)</b>														
Operating Transfers - In	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Transfers - Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF EXPENDITURES AND OTHER USES OVER REVENUES AND OTHER SOURCES</b>	<b>42,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,231</b>	<b>(39,750)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,481</b>
<b>FUND BALANCE July 1, 2002</b>	<b>(42,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,231)</b>	<b>(29,439)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(106,670)</b>
<b>FUND BALANCE June 30, 2003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(69,189)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(69,189)</b>

NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY

SCHEDULE OF FRINGE BENEFIT COST CHARGES, RATE BASE AND  
FIXED RATE COMPUTATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**FIXED RATE - FY 2003**

**LABOR BASE**

\$2,038,201

**FRINGE BENEFIT CATEGORY**

Sick Leave	\$ 104,767
Bereavement	5,500
Holiday	100,477
Vacation	248,277
Personal Days	19,886
Jury/Military Leave	-0-
PERS	331,793
Worker's Compensation	1,000
Unemployment Compensation	1,000
Hospitalization	367,350
Staff Development	5,200
Transit Subsidy	5,300
Tuition/Reimbursement	5,030
Medicare	19,786
FY '02 Fringe Rate Adjustment	<u>33,309</u>

**TOTAL FRINGE BENEFIT COSTS**

\$1,248,675

Fringe Benefit Rate used by NOACA

61.26%

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**SCHEDULE OF INDIRECT COST CHARGES, RATE BASE AND  
FIXED RATE COMPUTATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**DIRECT LABOR (SALARY AND FRINGES)**

Air Quality	\$ 93,428
Water Quality (604(B) + local)	187,016
Transportation Programs	1,659,691
Rideshare Program	153,181
Local Activities	<u>65,842</u>
 Total Salary/Fringe Cost	 <u>\$2,159,158</u>

**INDIRECT COST CATEGORY**

Salaries/Fringes	\$ 1,108,783
Office Rent/Utilities/Repair	231,849
Telephone	16,000
Travel/Training	10,438
Supplies	24,000
Postage	12,800
Consultants	11,000
Software/Hardware	24,885
Meeting Expenses	250
NARC Dues	10,734
Audit Fees	15,050
Outside Reproduction	10,100
Depreciation	211,237
Advertising	450
Accounting Services	1,200
Insurance	26,544
Equipment Leasing	3,491
Maintenance Repair (Equipment)	32,000
Publications/Memberships	6,200
FY '02 Indirect Rate Adjustment	<u>35,388</u>

**TOTAL** \$1,792,399

Indirect Cost Rate Used by NOACA

83.01%





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Northeast Ohio Areawide Coordinating Agency  
Cuyahoga County  
1299 Superior Avenue  
Cleveland, Ohio 44114-3204

We have audited the financial statements of the Northeast Ohio Areawide Coordinating Agency, Cuyahoga County, Ohio, (NOACA) as of and for the year ended June 30, 2003, and have issued our report thereon dated September 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

This report is intended solely for the information and use of the Audit Committee, management, members of the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 26, 2003



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Northeast Ohio Areawide Coordinating Agency  
Cuyahoga County  
1299 Superior Avenue  
Cleveland, Ohio 44114-3204

#### **Compliance**

We have audited the compliance of the Northeast Ohio Areawide Coordinating Agency, Cuyahoga County, Ohio, (NOACA) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. NOACA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of NOACA's management. Our responsibility is to express an opinion on NOACA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about NOACA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on NOACA's compliance with those requirements.

In our opinion, NOACA complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

#### **Internal Control Over Compliance**

The management of NOACA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered NOACA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance (continued)**

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

This report is intended for the information and use of the Audit Committee, management, members of the Board, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 26, 2003

**NORTHEAST OHIO AREA WIDE COORDINATING AGENCY  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE YEAR ENDED JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning & Construction – CFDA # 20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
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Facsimile 614-466-4490

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY**

**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  
NOVEMBER 13, 2003**