



**Mary Taylor, CPA**  
Auditor of State



**TRI-CITY CONSORTIUM ON AGING  
CUYAHOGA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Tri-City Consortium on Aging  
Cuyahoga County  
1370 Victory Drive  
South Euclid, Ohio 44121

To the Consortium Council:

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Tri-City Consortium on Aging, Cuyahoga County, Ohio, (the Consortium) as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-City Consortium on Aging, Cuyahoga County, Ohio, as of December 31, 2006 and December 31, 2005, and the respective changes in modified cash financial position for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2007, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA  
Auditor of State

March 26, 2007

**Tri-City Consortium on Aging  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and December 31, 2005  
UNAUDITED**

This discussion and analysis of the Tri-City Consortium on Aging's financial performance provides an overall review of the Consortium's financial activities for the years ended December 31, 2006 and December 31, 2005, within the limitations of the Consortium's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Consortium's financial performance.

**Highlights**

Key highlights for 2006 and 2005 are as follows:

Net assets of governmental activities increased \$1,065, or 0.5 percent in 2006. Net assets of governmental activities decreased \$23,170, or 9.1 percent in 2005.

The Consortium's general receipts are primarily grants. These receipts represent 89.0 percent of the total cash received for governmental activities during 2006 and 88.1 percent of the total cash received for governmental activities during 2005.

**Using the Basic Financial Statements**

This report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Consortium's modified cash basis of accounting.

**Report Components**

The statements of net assets and the statements of activities provide information about the cash activities of the Consortium as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Consortium as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Consortium has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Consortium's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Tri-City Consortium on Aging  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and December 31, 2005  
UNAUDITED  
(Continued)**

**Reporting the Government as a Whole**

The statements of net assets and the statements of activities reflect how the Consortium did financially during 2006 and 2005, within the limitations of the modified cash basis accounting. The statements of net assets present the cash balances and investments of the governmental activities of the Consortium at December 31, 2006 and December 31, 2005. The statements of activities compare cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Consortium's general receipts.

These statements report the Consortium's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Consortium's financial health. Over time, an increase or decrease in the Consortium's cash position is one indicator of whether the Consortium's financial health is improving or deteriorating.

In the statements of net assets and the statements of activities, we express the Consortium's activities as Governmental activities. The Consortium's basic services are reported here. State and federal grants finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Consortium's Most Significant Funds**

Fund financial statements provide detailed information about the Consortium's major funds – not the Consortium as a whole. The Consortium establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Consortium are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Consortium's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Consortium's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Consortium's programs. The Consortium's significant governmental funds are presented on the financial statements in separate columns. The Consortium's major governmental funds are the Title IIIB fund, the Title IIIC fund and the Special Programs fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Fund – The fiduciary fund is used to account for resources held for the benefit of parties outside the Consortium. The fiduciary fund is not reflected on the government-wide financial statements because the resources of these funds are not available to support the Consortium's programs.

**The Consortium as a Whole**

Table 1 provides a summary of the Consortium's net assets for 2006 and 2005 compared to 2004 on a modified cash basis.



**Tri-City Consortium on Aging  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and December 31, 2005  
UNAUDITED  
(Continued)**

**Net Assets (Table 1)**

	Governmental Activities		
	2006	2005	2004
<b>Assets</b>			
Cash and Cash Equivalents	\$231,943	\$230,878	\$254,048
Total Assets	<u>\$231,943</u>	<u>\$230,878</u>	<u>\$254,048</u>
<b>Net Assets</b>			
Restricted for:			
Title IIIB	\$96,014	\$95,723	\$94,616
Title IIIC	35,819	37,490	62,761
Other Purposes	28,467	27,042	26,709
Unrestricted	71,643	70,623	69,962
Total Net Assets	<u>\$231,943</u>	<u>\$230,878</u>	<u>\$254,048</u>

Table 2 reflects the changes in net assets in 2006 and 2005 compared to 2004 on a modified cash basis.

**Changes in Net Assets (Table 2)**

	Governmental Activities		
	2006	2005	2004
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$49,356	\$45,783	\$44,789
Operating Grants and Contributions	98,779	75,831	91,131
Total Program Receipts	<u>148,135</u>	<u>121,614</u>	<u>135,920</u>
General Receipts:			
Grants and Entitlements Not Restricted to Specific Programs	439,195	422,303	391,603
Interest	2,577	2,143	1,775
Miscellaneous	14,665	19,597	29,860
Total General Receipts	<u>456,437</u>	<u>444,043</u>	<u>423,238</u>
Total Receipts	<u>604,572</u>	<u>565,657</u>	<u>559,158</u>
Disbursements:			
General Government	603,507	588,827	576,872
Total Disbursements	<u>603,507</u>	<u>588,827</u>	<u>576,872</u>
Increase (Decrease) in Net Assets	1,065	(23,170)	(17,714)
Net Assets, January 1	<u>230,878</u>	<u>254,048</u>	<u>271,762</u>
Net Assets, December 31	<u>\$231,943</u>	<u>\$230,878</u>	<u>\$254,048</u>

Program receipts represent only 24.5 percent of total receipts in 2006 and 21.5 percent of total receipts in 2005. Program receipts are primarily comprised of restricted intergovernmental grant receipts.

**Tri-City Consortium on Aging  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and December 31, 2005  
UNAUDITED  
(Continued)**

In 2006, general receipts represent 75.5 percent of the Consortium's total receipts. State and federal grants and entitlements make up 96.2 percent of the Consortium's general receipts in 2006. In 2005, general receipts represent 78.5 percent of the Consortium's total receipts. State and federal grants and entitlements make up 95.1 percent of the Consortium's general receipts in 2005. Other receipts are insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Consortium and the services provided for Consortium activities. These include internal services such as payroll and purchasing and the costs of operating the various services and programs provided to the area seniors.

**Governmental Activities**

If you look at the Statements of Activities on pages 8 and 16, you will see that the first column lists the categories of services provided by the Consortium. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, which is described above. The next two columns of the Statement, entitled Program Cash Receipts, identify amounts paid by people to whom the services are directly provided and grants received by the Consortium that must be used to provide a specific service. The Net (Disbursements) Receipts and Changes in Net Assets column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by the three participating cities. These net costs are paid from the general receipts which are presented at the bottom of the statements. A comparison between the total cost of services and the net cost is presented in Table 3.

**Governmental Activities (Table 3)**

	Total Cost of Services			Net Cost of Services		
	2006	2005	2004	2006	2005	2004
General Government	<u>\$603,507</u>	<u>\$588,827</u>	<u>\$576,872</u>	<u>\$455,372</u>	<u>\$467,213</u>	<u>\$440,952</u>
Total Expenses	<u><u>\$603,507</u></u>	<u><u>\$588,827</u></u>	<u><u>\$576,872</u></u>	<u><u>\$455,372</u></u>	<u><u>\$467,213</u></u>	<u><u>\$440,952</u></u>

The dependence upon the three participating cities is apparent, as over 75 percent of governmental activities were supported through these general receipts in 2006 and over 79 percent of governmental activities were supported through these general receipts in 2005.

**The Consortium's Funds**

In 2006, total governmental funds had receipts of \$604,572 and disbursements of \$603,507. The total governmental funds balance increased by \$1,065. In 2005, total governmental funds had receipts of \$565,657 and disbursements of \$588,827. The total governmental funds balance decreased by \$23,170. The greatest change within the governmental funds occurred within the Title III C fund which had a net decrease in fund balance of \$25,271.

**Contacting the Consortium's Financial Management**

This financial report is designed to provide readers with a general overview of the Consortium's finances and to reflect the Consortium's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Director of the Tri-City Consortium on aging at 1370 Victory Drive, South Euclid, Ohio, 44121.

**Tri-City Consortium on Aging**  
**Cuyahoga County**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$231,943</u>
<i>Total Assets</i>	<u><u>\$231,943</u></u>
<b>Net Assets</b>	
Restricted for:	
Title III B	\$96,014
Title III C	35,819
Other Purposes	28,467
Unrestricted	<u>71,643</u>
<i>Total Net Assets</i>	<u><u>\$231,943</u></u>

See accompanying notes to the basic financial statements

**Tri-City Consortium on Aging  
Cuyahoga County**  
*Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2006*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$603,507	\$49,356	\$98,779	(\$455,372)
<i>Total Governmental Activities</i>	<u>\$603,507</u>	<u>\$49,356</u>	<u>\$98,779</u>	<u>(\$455,372)</u>
		<b>General Receipts</b>		
		Grants and Entitlements not Restricted to Specific Programs		439,195
		Interest		2,577
		Miscellaneous		<u>14,665</u>
		<i>Total General Receipts</i>		456,437
		Change in Net Assets		1,065
		<i>Net Assets Beginning of Year</i>		<u>230,878</u>
		<i>Net Assets End of Year</i>		<u>\$231,943</u>

See accompanying notes to the basic financial statements

**Tri-City Consortium on Aging**  
**Cuyahoga County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	<u>Title IIIB</u>	<u>Title IIIC</u>	<u>Special Programs</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$96,014	\$35,819	\$100,110	\$231,943
<i>Total Assets</i>	<u>96,014</u>	<u>35,819</u>	<u>100,110</u>	<u>231,943</u>
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
Special Revenue Funds	96,014	35,819	100,110	231,943
<i>Total Fund Balances</i>	<u>\$96,014</u>	<u>\$35,819</u>	<u>\$100,110</u>	<u>\$231,943</u>

See accompanying notes to the basic financial statements

**Tri-City Consortium on Aging**  
**Cuyahoga County**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*December 31, 2006*

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<b>Total Governmental Fund Balances</b>	<u>\$231,943</u>
<i>Net Assets of Governmental Activities</i>	<u>\$231,943</u>

See accompanying notes to the basic financial statements

**Tri-City Consortium on Aging  
Cuyahoga County**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006*

	Title IIIB	Title IIIC	Special Programs	Total Governmental Funds
<b>Receipts</b>				
Charges for Services	\$17,875	\$14,096	\$17,385	\$49,356
Intergovernmental	486,030	51,944	0	537,974
Interest	1,299	259	1,019	2,577
Miscellaneous	1,122	139	13,404	14,665
<i>Total Receipts</i>	<u>506,326</u>	<u>66,438</u>	<u>31,808</u>	<u>604,572</u>
<b>Disbursements</b>				
Current:				
General Government	499,964	68,109	29,363	597,436
Basic Utility Services	6,071	0	0	6,071
<i>Total Disbursements</i>	<u>506,035</u>	<u>68,109</u>	<u>29,363</u>	<u>603,507</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>291</u>	<u>(1,671)</u>	<u>2,445</u>	<u>1,065</u>
<i>Fund Balances Beginning of Year</i>	<u>95,723</u>	<u>37,490</u>	<u>97,665</u>	<u>230,878</u>
<i>Fund Balances End of Year</i>	<u><u>\$96,014</u></u>	<u><u>\$35,819</u></u>	<u><u>\$100,110</u></u>	<u><u>\$231,943</u></u>

See accompanying notes to the basic financial statements

**Tri-City Consortium on Aging  
Cuyahoga County**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended December 31, 2006*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<u>\$1,065</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,065</u></u>

See accompanying notes to the basic financial statements



**Tri-City Consortium on Aging**  
**Cuyahoga County**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Fund*  
*December 31, 2006*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$20,676</u>
<i>Total Assets</i>	<u><u>\$20,676</u></u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$20,676</u></u>

See accompanying notes to the basic financial statements

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**Tri-City Consortium on Aging**  
**Cuyahoga County**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$230,878</u>
<i>Total Assets</i>	<u><u>\$230,878</u></u>
<b>Net Assets</b>	
Restricted for:	
Title III B	\$95,723
Title III C	37,490
Other Purposes	27,042
Unrestricted	<u>70,623</u>
<i>Total Net Assets</i>	<u><u>\$230,878</u></u>

See accompanying notes to the basic financial statements

**Tri-City Consortium on Aging**  
**Cuyahoga County**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2005*

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Assets
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
General Government	\$588,827	\$45,783	\$75,831	(\$467,213)
<i>Total Governmental Activities</i>	<u>\$588,827</u>	<u>\$45,783</u>	<u>\$75,831</u>	<u>(\$467,213)</u>
		<b>General Receipts</b>		
		Grants and Entitlements not Restricted to Specific Programs	422,303	
		Interest	2,143	
		Miscellaneous	<u>19,597</u>	
		<i>Total General Receipts</i>	444,043	
		Change in Net Assets		(23,170)
		<i>Net Assets Beginning of Year</i>		<u>254,048</u>
		<i>Net Assets End of Year</i>		<u>\$230,878</u>

See accompanying notes to the basic financial statements

**Tri-City Consortium on Aging**  
**Cuyahoga County**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	<u>Title IIIB</u>	<u>Title IIIC</u>	<u>Special Programs</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$95,723	\$37,490	\$97,665	\$230,878
<i>Total Assets</i>	<u>95,723</u>	<u>37,490</u>	<u>97,665</u>	<u>230,878</u>
<b>Fund Balances</b>				
Unreserved:				
Undesignated (Deficit), Reported in:				
Special Revenue Funds	95,723	37,490	97,665	230,878
<i>Total Fund Balances</i>	<u>\$95,723</u>	<u>\$37,490</u>	<u>\$97,665</u>	<u>\$230,878</u>

See accompanying notes to the basic financial statements

**Tri-City Consortium on Aging**  
**Cuyahoga County**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*December 31, 2005*

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<b>Total Governmental Fund Balances</b>	<u>\$230,878</u>
<i>Net Assets of Governmental Activities</i>	<u>\$230,878</u>

See accompanying notes to the basic financial statements

**Tri-City Consortium on Aging  
Cuyahoga County**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	Title IIIB	Title IIIC	Special Programs	Total Governmental Funds
<b>Receipts</b>				
Charges for Services	\$15,478	\$14,851	\$15,454	\$45,783
Intergovernmental	449,846	48,288	0	498,134
Interest	1,155	327	661	2,143
Miscellaneous	7,021	0	12,576	19,597
<i>Total Receipts</i>	<u>473,500</u>	<u>63,466</u>	<u>28,691</u>	<u>565,657</u>
<b>Disbursements</b>				
Current:				
General Government	491,902	63,737	27,697	583,336
Basic Utility Services	5,491	0	0	5,491
<i>Total Disbursements</i>	<u>497,393</u>	<u>63,737</u>	<u>27,697</u>	<u>588,827</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,893)</u>	<u>(271)</u>	<u>994</u>	<u>(23,170)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	25,000	0	0	25,000
Transfers Out	0	(25,000)	0	(25,000)
<i>Total Other Financing Sources (Uses)</i>	<u>25,000</u>	<u>(25,000)</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>1,107</u>	<u>(25,271)</u>	<u>994</u>	<u>(23,170)</u>
<i>Fund Balances Beginning of Year</i>	<u>94,616</u>	<u>62,761</u>	<u>96,671</u>	<u>254,048</u>
<i>Fund Balances End of Year</i>	<u><u>\$95,723</u></u>	<u><u>\$37,490</u></u>	<u><u>\$97,665</u></u>	<u><u>\$230,878</u></u>

See accompanying notes to the basic financial statements

**Tri-City Consortium on Aging  
Cuyahoga County**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended December 31, 2005*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<u>(\$23,170)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>(\$23,170)</u>

See accompanying notes to the basic financial statements



**Tri-City Consortium on Aging**  
**Cuyahoga County**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Fund*  
*December 31, 2005*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$41,525</u>
<i>Total Assets</i>	<u><u>\$41,525</u></u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$41,525</u></u>

See accompanying notes to the basic financial statements

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**TRI-CITY CONSORTIUM ON AGING  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and DECEMBER 31, 2005**

**NOTE 1 – DESCRIPTION OF THE ENTITY**

The Tri-City Consortium on Aging, Cuyahoga County, Ohio (the Consortium), was established under Ohio Revised Code Chapter 167, as a Council of Governments. The Consortium consists of three member cities: South Euclid, Lyndhurst, and Highland Heights.

The mayors from each of these cities comprise the Consortium Council. Each mayor appoints five representatives as commissioners. The Consortium's function is to help older persons maintain independence and dignity in a home environment, remove barriers to independence for older persons, and provide a continuum for the vulnerable elderly.

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

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Consortium consists of all funds, departments, boards and agencies that are not legally separate from the Consortium. For the Tri-City Consortium on Aging, this includes services to elderly which include but are not limited to recreation and meals. The Consortium Board and Director have direct responsibility for these activities.

Component units are legally separate organizations for which the Consortium is financially accountable. The Consortium is financially accountable for an organization if the Consortium appoints a voting majority of the organization's governing board; and (1) the Consortium is able to significantly influence the programs or services performed or provided by the organization; or (2) the Consortium is legally entitled to or can otherwise access the organization's resources; the Consortium is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Consortium is obligated for the debt of the organizations. Component units may also include organizations for which the Consortium authorizes the issuance of debt or the levying of taxes, or determines the budget. There are no component units included as part of this report.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

These financial statements follow a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Auditor of State prescribes.

**B. Fund Accounting**

The Consortium uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Consortium's funds are classified as either governmental or fiduciary.

**TRI-CITY CONSORTIUM ON AGING  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and DECEMBER 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting (Continued)**

*Governmental Funds*

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Consortium's major governmental funds:

*Title IIIB Fund* – This fund accounts for social services which include access services, services which inform the local population of available services and/or assist potential participants in receiving services. The grants covered under these services are ht following: client funding, mass outreach, and escort and transportation. The Consortium also receives funding for in-home services which help to maintain the client in his/her home. The Consortium receives funds for other community based services, including, counseling and socialization.

*Title IIIC Fund* – This fund provides congregate meals for groups of senior adults served at nutrition sites.

*Special Program Fund* – This fund includes money received as donations and funds derived from fund raisers to benefit the general operation of the Consortium's programs to benefit senior adults.

*Fiduciary Funds*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Consortium under a trust agreement for individuals, private organizations or other governmental entities and are therefore not available to support the Consortium's own programs. The Consortium has no trust funds. Agency funds are custodial in nature, where the Consortium deposits and pays cash as directed by another entity or individual. The Consortium's agency fund accounts for funds held for senior adult trips.

**C. Basis of Presentation**

The Consortium's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the Consortium as a whole. These statements include the financial activities of the Consortium, except for fiduciary funds.

**TRI-CITY CONSORTIUM ON AGING  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and DECEMBER 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation (Continued)**

The statements of net assets present the financial condition of the governmental activities of the Consortium at December 31, 2006 and December 31, 2005. The statements of activities present a comparison between direct expenses and program revenues for each program or function of the Consortium's governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operations or capital requirements of particular program. Revenues which are not classified as program revenues are presented as general revenues of the Consortium, with certain limited exceptions. The comparisons of direct expenses with program revenues identify the extent to which the governmental programs are self-financing or draw from the general revenues of the Consortium.

**Fund Financial Statements** The Consortium segregates transactions related to certain Consortium functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Consortium at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Fiduciary funds are reported by type.

**D. Cash and Investments**

The Consortium deposits and invests cash in a common pool. The financial statements present each fund's share of interest in the pool as equity in pooled cash and cash equivalents.

Certificates of deposits are valued at cost.

**E. Inventory**

On the modified cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

**F. Property, Plant, and Equipment**

Acquisitions of property, plant, and equipment are recorded as disbursements 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. Unpaid leave is not reflected as a liability under the Consortium's modified cash basis of accounting.

**H. Net Assets**

The financial statements report restricted net assets when contributors, grantors, or other external factors impose limitations in their use.

**TRI-CITY CONSORTIUM ON AGING  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and DECEMBER 31, 2005  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Budgetary Process**

The Consortium is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Consortium does maintain an annual budget which is provided to the Board.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Monies held by the Consortium are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Consortium treasury. Active monies must be maintained either as cash in the Consortium treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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 must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Consortium can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**TRI-CITY CONSORTIUM ON AGING  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and DECEMBER 31, 2005  
(Continued)**

**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Consortium, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Consortium will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006, \$76,080 of the Consortium's bank balance of \$268,398 was uninsured and uncollateralized. At December 31, 2005, \$79,070 of the Consortium's bank balance of \$291,218 was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Consortium to a successful claim by the FDIC.

The Consortium has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Consortium or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Consortium did not have any investments during the years ended December 31, 2006 or December 31, 2005.

**NOTE 4 – DEFINED PENSION PLAN**

**Ohio Public Employees Retirement System**

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

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

**TRI-CITY CONSORTIUM ON AGING  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and DECEMBER 31, 2005  
(Continued)**

**NOTE 4 – DEFINED PENSION PLAN (Continued)**

**Ohio Public Employees Retirement System (Continued)**

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 9.55 percent and for 2006 was 9.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Consortium's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$40,220, \$38,231, and \$37,012 respectively; 100 percent has been contributed for 2006, 2005 and 2004.

**NOTE 5 – POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll and the 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care for 2006 and 4 percent of covered payroll was the portion that was used to fund health care for 2005.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an 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 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans for 2005 was 376,109 (the latest information available). Actual Consortium contributions for 2006 which were used to fund postemployment benefits were \$18,659 and actual Consortium contributions for 2005 which were used to fund postemployment benefits were \$16,013. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.



**TRI-CITY CONSORTIUM ON AGING  
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006 and DECEMBER 31, 2005  
(Continued)**

**NOTE 5 – POSTEMPLOYMENT BENEFITS (Continued)**

**Ohio Public Employees Retirement System (Continued)**

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**NOTE 6 – RISK MANAGEMENT**

The Consortium has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Consortium also provides health insurance and dental coverage to full-time employees through a private carrier.

There has been no material change in this coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

The Consortium pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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# Mary Taylor, CPA

## Auditor of State

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

Tri-City Consortium on Aging  
Cuyahoga County  
1370 Victory Drive  
South Euclid, Ohio 44121

To the Consortium Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-City Consortium on Aging, Cuyahoga County, Ohio, (the Consortium) as of and for the years ended December 31, 2006 and December 31, 2005, which collectively comprise the Consortium's basic financial statements, and have issued our report thereon dated March 26, 2007. 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 Consortium's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Consortium's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Consortium's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Consortium's internal control will not prevent or detect a material financial statement misstatement.

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

We intend this report solely for the information and use of the audit committee, management, and Consortium Council. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA  
Auditor of State

March 26, 2007



**Mary Taylor, CPA**  
Auditor of State

**TRI-CITY CONSORTIUM ON AGING**

**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  
APRIL 19, 2007**