

**First Suburbs Consortium  
Of Northeast Ohio  
Council of Governments**

Cuyahoga County, Ohio

For the Years Ended December 31, 2007 and 2006

Years Audited Under GAGAS: 2007 and 2006

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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Piketon, Ohio 45661

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Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the First Suburbs Consortium of Northeast Ohio Council of Governments, Cuyahoga County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The First Suburbs Consortium of Northeast Ohio Council of Governments is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 4, 2008

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**First Suburbs Consortium of Northeast Ohio Council of Governments  
Cuyahoga County, Ohio**

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Independent Auditors Report**

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

We have audited the accompanying financial statements of First Suburbs Consortium of Northeast Ohio Council of Governments, Cuyahoga County, (the Consortium) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP require the Consortium to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2007 and 2006. While the Consortium does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their financial statement amounts, the following paragraph does not imply the amounts are materially misstated under accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

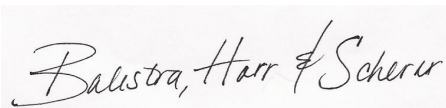
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Consortium's combined funds as of December 31, 2007 and 2006, or their changes in financial position for the years then ended.

Independent Auditor's Report  
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of First Suburbs Consortium of Northeast Ohio Council of Governments, Cuyahoga County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Consortium to include Management's Discussion & Analysis for the years ended December 31, 2007 and 2006. The Consortium has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with Government Auditing Standards, We have also issued our report dated June 27, 2008, on our consideration of the Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

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

Balestra, Harr & Scherer, CPAs, Inc.

June 27, 2008

First Suburbs Consortium  
Cuyahoga County  
Statement of Cash Receipts, Cash Disbursements, and  
Changes in Fund Cash Balances  
For the Years Ended December 31, 2007 and 2006

	<b>2007</b>	<b>2006</b>
<b>Receipts:</b>		
Membership Dues	\$ 42,000	\$ 45,402
Intergovernmental	98,244	7,693
<b>Total Receipts</b>	140,244	53,095
<b>Disbursements:</b>		
Staffing	121,800	61,901
Legal & Accounting	655	4,238
Meetings	4,814	1,214
Office Expense	1,321	2,394
Supplies	531	483
<b>Total Disbursements</b>	129,121	70,230
<b>Total Receipts Over/(Under) Disbursements</b>	11,123	(17,135)
Fund Balance, January 1	127,082	144,217
<b>Fund Balance, December 31</b>	<b>\$ 138,205</b>	<b>\$ 127,082</b>

*See the Notes to the Basic Financial Statements.*



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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

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

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

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

Member cities as of December 31, 2007 are:

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

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

**B. Membership Dues**

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

**C. Basis of Accounting**

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

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

**D. Fund Accounting**

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

**1. General Fund**

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

**E. Property, Plant and Equipment**

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

**2. Deposits with Financial Institutions**

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

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

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

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the First Suburbs Consortium of Northeast Ohio Council of Governments, (the Consortium), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 27, 2008, wherein we noted the Consortium followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control over financial reporting. Accordingly, we do not express an opinion 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 the normal course of 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 the accounting basis described in Note 1 such that there is more than a remote likelihood that a misstatement of the Consortium's financial statements that is more than inconsequential will not be prevented or detected by the Consortium's internal control.

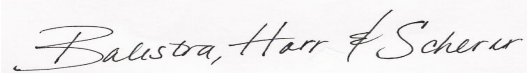
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the Consortium's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and members of the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
June 27, 2008



**Mary Taylor, CPA**  
Auditor of State

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

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 23, 2009**