



**EASTERN SUBURBAN REGIONAL COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004



**Auditor of State
Betty Montgomery**

EASTERN SUBURBAN REGIONAL COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY

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**Auditor of State
Betty Montgomery**

Eastern Suburban Regional Council of Governments
Cuyahoga County
6154 Mayfield Road
Mayfield Heights, Ohio 44124

Members of the Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 31, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Eastern Suburban Regional Council of Governments
Cuyahoga County
6154 Mayfield Road
Mayfield Heights, Ohio 44124

Members of the Council:

We have audited the accompanying financial statements of the Eastern Suburban Regional Council of Governments, Cuyahoga County, Ohio, (ESRCOG) as of and for the years ended December 31, 2005 and December 31, 2004. These financial statements are the responsibility of the ESRCOG's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the ESRCOG to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined fund the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While ESRCOG does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. ESRCOG has elected not to reformat its statements. Since ESRCOG does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of ESRCOG as of December 31, 2005 and December 31, 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Eastern Suburban Regional Council of Governments, Cuyahoga County, Ohio, as of December 31, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires ESRCOG to include Management's Discussion and Analysis for the years ended December 31, 2005 and December 31, 2004. ESRCOG has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2006, on our consideration of ESRCOG'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.



Betty Montgomery
Auditor of State

May 31, 2006

**EASTERN SUBURBAN REGIONAL COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General
Cash Receipts:	
Member Contributions	\$75,000
Earnings on Investments	1,366
Miscellaneous	1,305
 Total Cash Receipts	 77,671
Cash Disbursements:	
Current:	
Legal Advisor and Fiscal Agent	7,800
Insurance	7,387
Training	1,886
Tactical Unit	50,789
Bomb Squad Unit	4,637
Traffic Unit	20,012
Crisis Intervention	1,448
Communications	13,570
Office Supplies	159
Miscellaneous	227
 Total Cash Disbursements	 107,915
 Total Receipts Over/(Under) Disbursements	 (30,244)
 Fund Cash Balances, January 1, 2005	 60,831
 Fund Cash Balances, December 31, 2005	 \$30,587

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

**EASTERN SUBURBAN REGIONAL COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General
Cash Receipts:	
Member Contributions	\$75,000
Earnings on Investments	385
Miscellaneous	2,380
Total Cash Receipts	77,765
Cash Disbursements:	
Current:	
Legal Advisor and Fiscal Agent	7,800
Insurance	6,658
Vehicles	13
Training	471
Tactical Unit	14,405
Bomb Squad Unit	3,193
Traffic Unit	4,417
Communications	12,317
Office Supplies	209
Miscellaneous	1,004
Total Cash Disbursements	50,487
Total Receipts Over/(Under) Disbursements	27,278
Fund Cash Balances, January 1, 2004	33,553
Fund Cash Balances, December 31, 2004	\$60,831

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

**EASTERN SUBURBAN REGIONAL COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Eastern Suburban Regional Council of Governments, Cuyahoga County, Ohio, (ESRCOG) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The governing body of ESRCOG is comprised of a Council of six Police Chiefs and Mayors of member cities/villages. The Council operates in accordance with a written agreement establishing ESRCOG pursuant to Ohio Revised Code Chapter 167.

The Council established one subsidiary organization, the Suburban Police Anti-Crime Network (SPAN) which provides for the mutual interchange and sharing of police personnel and police equipment to be utilized by all participating members. Annual member receipts are based on need.

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

B. Basis of Accounting

These financial statements follow an accounting basis similar to the cash receipts and disbursements accounting basis. 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 as explained in the opinion.

C. Cash and Investments

The investment in Certificates of Deposit is valued at cost.

D. Fund Accounting

ESRCOG classifies its fund as the following governmental fund type:

General Fund

The General Fund is the general operating fund. It is used to account for all ESRCOG's financial activity.

E. Property, Plant, and Equipment

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

**EASTERN SUBURBAN REGIONAL COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2005	2004
Demand Deposit	\$5,087	\$4,831
Certificate of Deposit	25,500	56,000
Total Deposits	<u>\$30,587</u>	<u>\$60,831</u>

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

3. RISK MANAGEMENT

ESRCOG has obtained commercial insurance for the following risks:

- Commercial Inland Marine
- Automobile



**Auditor of State
Betty Montgomery**

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

Eastern Suburban Regional Council of Governments
Cuyahoga County
6154 Mayfield Road
Mayfield Heights, Ohio 44124

Members of the Council:

We have audited the financial statements of the Eastern Suburban Regional Council of Governments, Cuyahoga County, Ohio (ESRCOG) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated May 31, 2006, wherein we noted ESRCOG followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ESRCOG's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether ESRCOG'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*.

Eastern Suburban Regional Council of Governments
Cuyahoga County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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We intend this report solely for the information and use of the management, Council. It is not intended for 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

May 31, 2006



**Auditor of State
Betty Montgomery**

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EASTERN SUBURBAN REGIONAL 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 15, 2006**