



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA
Auditor of State

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

To the Consortium 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 an 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 10, 2010

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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 Tri-City Consortium on Aging, Cuyahoga County, (the Consortium) as of and for the years ended December 31, 2009 and 2008. 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 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, 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 GAAP, we presume they are material.

While the Consortium does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Consortium to reformat their statements. The Consortium has elected not to follow GAAP statement formatting requirements. 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, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Consortium as of December 31, 2009 and 2008, 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 Tri-City Consortium on Aging, Cuyahoga County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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The Consortium 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 August 10, 2010, 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.

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

August 10, 2010

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Special Revenue</u>	<u>Agency Fund</u>	
Cash Receipts:			
Intergovernmental	\$608,636	\$0	\$608,636
Program Income	40,155	77,828	117,983
Investment Income	2,621	0	2,621
Miscellaneous	10,674	0	10,674
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Total Cash Receipts	662,086	77,828	739,914
	<hr/>		
Cash Disbursements:			
Wages and Benefits	474,587	0	474,587
Rent and Janitorial	7,596	0	7,596
Materials and Supplies	22,934	0	22,934
Utilities	6,006	0	6,006
Transportation	74,597	0	74,597
Technical Services	16,257	0	16,257
Liability Insurance	5,403	0	5,403
Other	40,984	71,783	112,767
	<hr/>		
Total Disbursements	648,364	71,783	720,147
	<hr/>		
Total Receipts Over/(Under) Disbursements	13,722	6,045	19,767
	<hr/>		
Fund Cash Balances, January 1, 2009	272,381	16,768	289,149
	<hr/>		
Fund Cash Balances, December 31, 2009	\$286,103	\$22,813	\$308,916
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The notes to the financial statements are an integral part of this statement.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Special Revenue</u>	<u>Agency Fund</u>	
Cash Receipts:			
Intergovernmental	\$640,957	\$0	\$640,957
Program Income	51,328	121,473	172,801
Investment Income	4,929	0	4,929
Miscellaneous	3,972	0	3,972
	<hr/>		
Total Cash Receipts	701,186	121,473	822,659
	<hr/>		
Cash Disbursements:			
Wages and Benefits	532,676	0	532,676
Rent and Janitorial	7,596	0	7,596
Materials and Supplies	38,985	0	38,985
Utilities	5,799	0	5,799
Transportation	23,030	0	23,030
Technical Services	23,241	0	23,241
Liability Insurance	9,803	0	9,803
Other	17,263	119,947	137,210
	<hr/>		
Total Disbursements	658,393	119,947	778,340
	<hr/>		
Total Receipts Over/(Under) Disbursements	42,793	1,526	44,319
	<hr/>		
Fund Cash Balances, January 1, 2008	229,588	15,242	244,830
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Fund Cash Balances, December 31, 2008	\$272,381	\$16,768	\$289,149
	<hr/> <hr/>		

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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: Highland Heights, Lyndhurst and South Euclid.

The mayors of each of these three cities compromise 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.

B. 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.

C. Cash and Investments

The Consortium's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

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:

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Consortium had the following significant Special Revenue Funds:

Title IIIB/IIIC 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 the 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, this includes housekeeping. The Consortium receives funds for other community based services, including, counseling and socialization. This fund provides congregate meals for groups of senior adults served at nutrition sites.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008
(Continued)**

D. Fund Accounting (Continued)

Special Accounts Fund - This fund includes money received as donations and funds derived from fund raisers to benefit senior adults.

Fiduciary Fund

Funds for which the Consortium is acting in an agency capacity are classified as agency funds. The Consortium had the following significant Agency Fund:

Travel Fund - This fund is used to account for funds held for senior adult trips.

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.

F. 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 basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$89,025	\$211,668
Certificates of deposit	79,357	77,481
Money market accounts	140,534	0
Total deposits	<u>\$308,916</u>	<u>\$289,149</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool. Although the securities were held by the pledging financial institution's trust department or agent in the financial institution and all state statutory requirements for these deposits had been followed, noncompliance with federal requirements could potentially subject the Consortium to a successful claim by the Federal Depository Insurance Corporation.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008
(Continued)**

3. RETIREMENT SYSTEMS

The Consortium's employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their wages. The Consortium contributed an amount equal to 14% of participants' gross salaries for 2009 and 2008. The Consortium has paid all contributions required through December 31, 2009.

4. RISK MANAGEMENT

The Consortium has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Abuse Act Liability;
- Employment Practices Liability
- Professional Liability;
- Stop Gap Liability; and
- Non-Profit Directors and Officers Coverage

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

Settled claims have not exceeded coverage in any of the last three years and there is no significant reduction in coverage from the prior year.

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. The System administers and pays all claims.

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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 Tri-City Consortium on Aging, Cuyahoga County, Ohio, (the Consortium) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated August 10, 2010, wherein we noted the Consortium prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 the Consortium's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-002 described in the accompanying schedule of findings to be a significant deficiency.

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 also noted certain matters not requiring inclusion in this report that we reported to the Consortium's management in a separate letter dated August 10, 2010.

The Consortium's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Consortium's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Consortium Council, and others within the Consortium. 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

August 10, 2010

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND DECEMBER 31, 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Director, Bookkeeper, and the Consortium Council of Governments, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following weaknesses were noted and subsequent adjustments made to the financial statements:

- In 2008, revenues and expenditures were understated by \$22,248 and \$26,890, respectively, in the Special Revenue Fund. This resulted in a Special Revenue fund balance overstatement of \$4,342.
- In 2008, the beginning fund balance did not agree to the ending fund balance for 2007 in the Agency Fund in the amount of \$3,025.
- In 2009, revenues and expenditures were understated by \$29,724 and \$1,054, respectively, in the Special Revenue Fund. This, combined with the overstatement that was carried over from 2008, resulted in a Special Revenue fund balance understatement of \$24,328.
- In 2009, revenues and expenditures were overstated by \$2,611 in the Agency Fund.

The following weaknesses were also noted:

- Numerous revenue and expenditure transactions were not posted to the Consortium accounting system for 2008.
- The Consortium's accounting system reports on an accrual basis. The Consortium was unable to perform a conversion from accrual to cash basis. Furthermore, various accrual entries were unexplainable by Consortium management.
- The Consortium's annual financial statements submitted to the Auditor of State office did not accurately reflect the actual financial position of the Consortium. They also did not match their own records as maintained on the Consortium accounting system.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout each year.

We recommend the Consortium take appropriate measures to ensure that all financial reports are in agreement, that all balances reflect the actual financial activity of the Consortium and that all annual financial reports depict the accurate financial position of the Consortium.

MANAGEMENT'S RESPONSE:

The Consortium transitioned from a manual accounting system to a computerized one in 2008. That transition was accomplished with the help of a professional who trained the existing bookkeeper to maintain the system with limited oversight from a bookkeeper experienced with the new accounting software. Despite the training and oversight that occurred, it is clear that the system that is presently in place is not working and that there are numerous errors in the recording of transactions. A plan will be put in place by October 1, 2010 to address these concerns.

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND DECEMBER 31, 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002

Bank Reconciliations – Significant Deficiency

Reconciliation of the Consortium's bank accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the Consortium. A necessary step in internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of "cash" in the accounting records. As part of the bank reconciliation, all differences between the balance appearing on the bank statements and the balance of cash according to the Consortium's records should be accounted for.

During our review of the Consortium bank-to-book reconciliations, we noted the Consortium was unable to reconcile their bank balance to their book balance for any month during 2008 and 2009. In addition, the bank balances on all reconciliations during 2008 and 2009 were incorrect. Also, despite being incorrect, the Director signed off on several bank reconciliations in 2009.

Failure to properly reconcile bank accounts and resolve discrepancies may result in errors in financial reporting. Bank and investment balances should be accurately reconciled with the Consortium's cash fund balances on a monthly basis.

We recommend the Consortium complete a monthly bank-to-book cash reconciliation which compares reconciled bank and investment balances to the Consortium book balances. Any discrepancies should be investigated. We also recommend the Consortium accurately enter bank balances on to the reconciliations, and also that the Consortium Director verify that the bank and book balances reconcile and are accurate prior to signing off.

MANAGEMENT'S RESPONSE:

Effective immediately, the Consortium will perform a monthly bank to book cash reconciliation with verification by the Director.



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
SEPTEMBER 21, 2010**