



FIRST SUBURBS CONSORTIUM OF NORTHEAST OHIO COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS

DECEMBER 31, 2003, 2002 AND 2001

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**Auditor of State
Betty Montgomery**

Board of Directors
First Suburbs Consortium of Northeast Ohio Council of Governments

We have reviewed the Independent Auditor's Report of the First Suburbs Consortium of Northeast Ohio Council of Governments, Cuyahoga County, prepared by Heiser & Jesko for the audit period January 1, 2001 through December 31, 2003. 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.

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.

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

BETTY MONTGOMERY
Auditor of State

October 28, 2004

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS
FIRST SUBURBS CONSORTIUM OF
NORTHEAST OHIO COUNCIL OF GOVERNMENTS

We have audited the accompanying financial statements of First Suburbs Consortium of Northeast Ohio Council of Governments ("the Consortium") as of and for the years ended December 31, 2003, 2002 and 2001. 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 audits.

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

As discussed in Note 1, the Consortium prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Consortium as of December 31, 2003, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, the Board of Directors and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Willoughby, Ohio
May 20, 2004

Heiser & Jesko



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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES - ALL GOVERNMENT FUND TYPES

YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash Receipts:			
Annual Meeting Revenue	\$ 1,931	\$ 1,909	\$ 1,610
Membership Dues	45,000	78,000	6,000
Grants/Contributions		2,000	34,695
Housing Initiative:			
Banks		10,000	34,000
CDBG	1,500	61,650	56,850
Foundations			150,000
Utilities		5,000	20,000
Interest	<u>2,356</u>	<u>7,039</u>	<u>2,288</u>
Total Cash Receipts	<u>50,787</u>	<u>165,598</u>	<u>305,443</u>
Cash Disbursements:			
Annual Meeting Expenses	1,591	3,612	1,832
FSDC Services	1,981	1,700	5,100
Housing Initiative	68,414	186,481	83,207
Legislative Consulting		6,000	14,000
Office Expense	(108)	205	
Public Relations Consulting	6,000		
Staffing	<u>23,145</u>	<u>23,075</u>	<u>22,184</u>
Total Cash Disbursements	<u>101,023</u>	<u>221,073</u>	<u>126,323</u>
Total Receipts Over(Under) Disbursements	(50,236)	(55,475)	179,120
Fund Cash Balance - January 1	<u>158,480</u>	<u>213,955</u>	<u>34,835</u>
Fund Cash Balance - December 31	<u>\$108,244</u>	<u>\$158,480</u>	<u>\$213,955</u>
Reserve for Encumbrances - December 31	<u>\$ 30,167</u>	<u>\$ 63,029</u>	<u>\$ 89,943</u>

See accompanying notes.



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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003, 2002 AND 2001

NOTES:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 any 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 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, 2003 are:

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



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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2003, 2002 AND 2001

NOTES (CONTINUED):

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.

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 Ohio Auditor of State.

FUND ACCOUNTING

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

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

PROPERTY, PLANT AND EQUIPMENT

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

2. DEPOSITS WITH FINANCIAL INSTITUTIONS

The City of Shaker 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 the pooled funds on an annual basis.

DEPOSITS

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



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

TO THE BOARD OF DIRECTORS
FIRST SUBURBS CONSORTIUM OF
NORTHEAST OHIO COUNCIL OF GOVERNMENTS

We have audited the financial statements of First Suburbs Consortium of Northeast Ohio Council of Governments, Cuyahoga County, Ohio (the Consortium) as of and for the years ended December 31, 2003, 2002 and 2001 and have issued our report thereon dated May 20, 2004. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

Willoughby, Ohio
May 20, 2004

Heiser & Jesko



**Auditor of State
Betty Montgomery**

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

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 16, 2004**