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FIRST SUBURBS CONSORTIUM OF NORTHEAST OHIO COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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Mary Taylor, CPA

Auditor of State

Board of Directors
First Suburbs Consortium of Northeast Ohio Council of Governments
2835 Mayfield Road, Suite 103
Cleveland Heights, Ohio 44118

We have reviewed the *Independent Auditor's Report* of the First Suburbs Consortium of Northeast Ohio Council of Governments, Cuyahoga County, prepared by H&J Certified Public Accountants, Inc., for the audit period January 1, 2004 through December 31, 2005. 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 Auditor's 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 Auditor's 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, 2007

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INDEPENDENT ACCOUNTANT'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, 2005 and 2004. 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 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 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 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. 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 would require the Consortium to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits but does not require governments to reformat their statements. The Consortium has elected not to reformat its statements. Since this Consortium 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 2004, 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, 2005 and 2004, or its changes in financial position or cash flows of its proprietary fund for the years then ended.

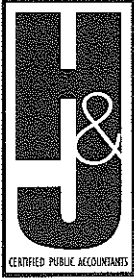
Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Consortium as of December 31, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Consortium to include management's discussion and analysis for the years ended December 31, 2005 and 2004. 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 a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2006 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 the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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.

Cleveland, Ohio
September 12, 2006

H & J
Certified Public Accountants



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

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

YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash Receipts:		
Membership Dues	\$ 46,500	\$ 45,000
Interest	3,100	3,126
Contributions	500	1,050
Housing Initiative		5,000
Annual Meeting Revenue		<u>1,817</u>
Total Cash Receipts	<u>50,100</u>	<u>55,993</u>
Cash Disbursements:		
Staffing	27,087	28,589
Legal & Accounting	3,961	2,960
Meetings	2,867	1,958
Office Expense	<u>532</u>	<u>2,166</u>
Total Cash Disbursements	<u>34,447</u>	<u>35,673</u>
Total Receipts Over Disbursements	15,653	20,320
Fund Cash Balance - January 1	<u>128,564</u>	<u>108,244</u>
Fund Cash Balance - December 31	<u>\$ 144,217</u>	<u>\$ 128,564</u>
Reserve for Encumbrances - December 31	<u>\$ 27,402</u>	<u>\$ 27,087</u>

See accompanying notes.



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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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.

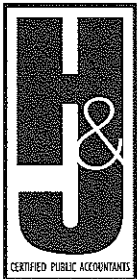
The Consortium's management believes these financial statements present all activities for which the Consortium is financially accountable.

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, 2005 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 GOVERNMENTS**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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.

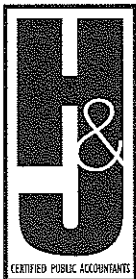
2. DEPOSITS WITH FINANCIAL INSTITUTIONS

The City of 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 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.



**INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS 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, 2005 and 2004 and have issued our report thereon dated September 12, 2006, where in 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 audits 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 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 opine 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 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 detected timely 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.

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 grants, 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 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*.

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

Cleveland, Ohio
September 12, 2006

H. J.
Certified Public Accountants



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
SEPTEMBER 18, 2007**