

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION**

AUDIT REPORT

FOR THE PERIODS JUNE 30, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

General Policy Board
Northeast Ohio Four County Regional Planning and Development Organization
180 E. South Street
Akron, Ohio 44311

We have reviewed the *Independent Accountant's Report* of the Northeast Ohio Four County Regional Planning and Development Organization, Summit County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2004 through June 30, 2006. 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 Northeast Ohio Four County Regional Planning and Development Organization is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 31, 2007

This Page is Intentionally Left Blank.

NORTHEAST OHIO FOUR COUNTY REGIONAL
 PLANNING AND DEVELOPMENT ORGANIZATION
 BASIC FINANCIAL STATEMENTS
 FOR THE PERIODS ENDED JUNE 30, 2006 AND 2005

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountant's Report	1 - 2
Management's Discussion and Analysis for the Year Ended June 30, 2006	3 - 6
Basic Financial Statements for the Year Ended June 30, 2006:	
Statement of Net Assets - Modified Cash Basis	7
Statement of Activities	8
Balance Sheet - Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Notes to the Financial Statements	11 - 16
Schedule of Indirect Costs and Cost Allocation	17
Management's Discussion and Analysis for the Year Ended June 30, 2005	18 - 21
Basic Financial Statements for the Year Ended June 30, 2005:	
Statement of Net Assets - Modified Cash Basis	22
Statement of Activities	23
Balance Sheet - Governmental Funds	24
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	25
Notes to the Financial Statements	26 - 31
Schedule of Indirect Costs and Cost Allocation	32
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33 - 34

This Page is Intentionally Left Blank.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

General Policy Board
Northeast Ohio Four County Regional
Planning and Development Organization
180 East South Street
Akron, Ohio 44311

We have audited the accompanying financial statements of the Northeast Ohio Four County Regional Planning and Development Organization (NEFCO) as of and for the periods ended June 30, 2006 and June 30, 2005, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express opinions on these financial statements based on our audits.

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 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1-B, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Northeast Ohio Four County Regional Planning and Development Organization, as of June 30, 2006 and June 30, 2005, and the respective changes in cash basis net assets for the periods then ended in conformity with the accounting basis described in Note 1-B.

As reported in Note 2 to the basic financial statements for the period ended June 30, 2005, Northeast Ohio Four County Regional Planning and Development Organization revised its financial presentation comparable to the requirements of Governmental Accounting Standards Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2007, on our consideration of the Organization'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

James G. Zupka, CPA, Inc.
Certified Public Accountants

April 30, 2007

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(Unaudited)**

The management's discussion and analysis of the Northeast Ohio Four County Regional Planning and Development Organization's (NEFCO) financial performance provides an overall review of NEFCO's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at NEFCO's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of NEFCO's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- Assets, were less than total liabilities at the close of the most recent fiscal year by \$15,839.
- General revenues accounted for \$189,648 in revenue or 48.5 percent of all net operating revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$201,098 or 51.5 percent of total revenues of \$390,746.
- NEFCO had \$393,104 in expenses related to governmental activities; \$201,098 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$189,648 were adequate to provide for these programs.

Overview of the Financial Statements

The management's discussion and analysis is intended to serve as an introduction to NEFCO's basic financial statements. NEFCO's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of NEFCO's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all NEFCO's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of NEFCO is improving or deteriorating.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(Unaudited)**

The *statement of activities* presents information showing how NEFCO's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave.)

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. NEFCO, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of NEFCO are included in the governmental funds category. Because NEFCO utilizes a single special revenue fund, fund financial statements are not presented.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to develop a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements start on page 7 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of NEFCO as a whole. Table 1 provides a comparison of NEFCO's net assets for the years ended June 30, 2006 and 2005.

Table 1 - Statement of Net Assets

<u>Assets</u>	<u>2006</u>	<u>2005</u>	<u>Change</u>
Current and Other Assets	\$ 20,265	\$ 16,546	\$ 3,719
Total Assets	<u>20,265</u>	<u>16,546</u>	<u>3,719</u>
<u>Liabilities</u>			
Payroll Withholdings	1,104	5,027	(3,923)
Other Liabilities	<u>35,000</u>	<u>25,000</u>	<u>10,000</u>
Total Liabilities	<u>36,104</u>	<u>30,027</u>	<u>6,077</u>
<u>Net Assets</u>			
Unrestricted	<u>(15,839)</u>	<u>(13,481)</u>	<u>(2,358)</u>
Total Net Assets	<u>\$ (15,839)</u>	<u>\$ (13,481)</u>	<u>\$ (2,358)</u>

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(Unaudited)**

Table 2 shows the revenue for NEFCO as a whole during fiscal year 2006.

Table 2 - Revenues

<u>Revenues</u>	<u>2006 Total Revenue</u>	<u>2005 Total Revenue</u>	<u>Change</u>
<i>Program Revenues</i>			
Charges for Services	\$ 2,618	\$ 2,164	\$ 454
Operating Grants/Contributions	198,480	183,297	15,183
<i>General Revenues</i>			
Membership Dues	189,540	177,694	11,846
Investment Earnings	108	112	(4)
Total Revenues	<u>\$ 390,746</u>	<u>\$ 363,267</u>	<u>\$ 27,479</u>

Table 3 shows total program expenses and net program expense.

Table 3 - Total Program Expenses

<u>Program Expenses</u>	<u>2006 Program Expense</u>	<u>2005 Program Expense</u>	<u>Change</u>
General Government	\$ 90,602	\$ 62,817	\$ (27,785)
Economic Development	112,523	103,400	(9,123)
Water Quality Planning	189,979	229,041	39,062
Total Program Expenses	<u>393,104</u>	<u>395,258</u>	<u>2,154</u>
Change in Net Assets	<u>\$ (2,358)</u>	<u>\$ (31,991)</u>	<u>\$ 29,633</u>

Capital Assets

Because NEFCO is on a modified cash basis, they do not report capital assets.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006
(Unaudited)**

Debt

NEFCO has debt in the form of a line of credit. The amount owed at the end of the fiscal years is as follows:

Line of Credit	<u>2006</u> <u>\$ 35,000</u>	<u>2005</u> <u>\$ 25,000</u>
Total	<u>\$ 35,000</u>	<u>\$ 25,000</u>

Contacting the Organization's Financial Management

This financial report is designed to provide our members, grantors, citizens and creditors with a general overview of NEFCO's finances and to show NEFCO's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Executive Director, Northeast Ohio Four County Regional Planning and Development Organization, 180 East South Street, Akron, Ohio 44311.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2006**

	Government <u>Activities</u>
<u>Assets</u>	
Current Assets	
Cash	<u>\$ 20,265</u>
Total Assets	<u>20,265</u>
<u>Liabilities</u>	
Payroll Withholdings	1,104
Line of Credit	<u>35,000</u>
Total Liabilities	<u>36,104</u>
<u>Net Cash Assets</u>	
Unrestricted	<u>(15,839)</u>
Total Net Assets	<u><u>\$ (15,839)</u></u>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes In Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Government Activities:				
General Government	\$ 90,602	\$ 2,618	\$ 0	\$ (87,984)
Economic Development Planning	112,523	0	59,891	(52,632)
Water Quality Planning	<u>189,979</u>	<u>0</u>	<u>138,589</u>	<u>(51,390)</u>
Total Governmental Activities	<u>393,104</u>	<u>2,618</u>	<u>198,480</u>	<u>(192,006)</u>
General Revenues:				
Membership Dues				189,540
Unrestricted Investment Earnings				<u>108</u>
Total General Revenues				<u>189,648</u>
Changes in Net Assets				(2,358)
Net Assets - Beginning				<u>(13,481)</u>
Net Assets - Ending				<u>\$ (15,839)</u>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 20,565	\$ 20,265
Total Assets	<u>20,265</u>	<u>20,265</u>
<u>Liabilities</u>		
Payroll Withholdings	1,104	1,104
Line of Credit	<u>35,000</u>	<u>35,000</u>
Total Liabilities	<u>36,104</u>	<u>36,104</u>
<u>Net Cash Assets</u>		
Unrestricted	<u>(15,839)</u>	<u>(15,839)</u>
Total Net Assets	<u>\$ (15,839)</u>	<u>\$ (15,839)</u>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>		
Charges for Services	\$ 2,618	\$ 2,618
Membership Dues	189,540	189,540
Intergovernmental	198,480	198,480
Interest	<u>108</u>	<u>108</u>
Total Revenues	<u>390,746</u>	<u>390,746</u>
<u>Expenditures</u>		
General Government	90,602	90,602
Economic Development Planning	112,523	112,523
Water Quality Planning	<u>189,979</u>	<u>189,979</u>
Total Expenditures	<u>393,104</u>	<u>393,104</u>
Net Change in Fund Balances	(2,358)	(2,358)
Fund Balances - Beginning	<u>(13,481)</u>	<u>(13,481)</u>
Fund Balances - Ending	<u>\$ (15,839)</u>	<u>\$ (15,839)</u>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northeast Ohio Four County Regional Planning and Development Organization, Summit County, (NEFCO) 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. NEFCO is directed by a 42 member Board. NEFCO was formed as a Regional Council of Governments by the elected officials within Portage, Stark, Summit and Wayne Counties pursuant to Chapter 167 of the Ohio Revised Code. Its purpose is to foster a cooperative effort in regional planning and programming, and the implementation of regional plans and programs. NEFCO is also organized as a forum for the discussion and study of common problems of a regional nature, and for the development of policies and actions and related recommendations.

NEFCO is supported by grants and by local dues paid by various political subdivisions served; such local dues are generally assessed at \$.16 per capita per year. These dues serve as the primary local matching sources for certain federal and state grants.

NEFCO's management believes these financial statements present all activities for which the entity 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 the modified 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. In addition, NEFCO is recognizing payroll withholdings and the line of credit balance as a liability.

C. Fund Accounting

NEFCO's utilizes Peachtree accounting software to maintain their financial information. The software allows for the accurate tracking of revenue and expenditure information in accordance with fund accounting, however, it does not have the ability to print reports that include the fund balance. Since NEFCO is not required by the Ohio Revised Code to encumber funds, the cash balance minus payroll liabilities and the line of credit is equal to the fund balance. NEFCO classifies its activity into the following type:

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Fund Accounting (Continued)

Special Revenue Funds

This combined fund is used to account for all financial activity of NEFCO.

D. Property, Plant and Equipment

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

E. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and compensatory time. Unpaid leave is not reflected as a liability under the basis of accounting NEFCO uses.

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

NEFCO maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

Demand deposit	\$ 20,265
----------------	-----------

Deposits: Deposits are fully insured by the Federal Depository Insurance Corporation. The bank balance at June 30, 2006 was \$26,549.

Investments: NEFCO had no investments during the fiscal year ending June 30, 2006.

NOTE 3: BUDGETARY ACTIVITY

NEFCO is not subject to budgetary compliance with the Ohio Revised Code; however, for each fiscal year, the General Policy Board adopts a budget detailing anticipated disbursements for the year at the function level. For the fiscal year ended June 30, 2006, the approved budget totaled \$455,081. Total actual expenditures totaled \$393,104.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2006**

NOTE 4: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

The Agency participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employee contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the period ended June 30, 2006, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries (9 percent effective January 1, 2006). The Agency contribution rate for pension benefits for 2006 was 9.55 percent of covered payroll (9.7 percent effective January 1, 2006). The Ohio Revised Code provides statutory authority for member and employer contributions.

The Agency's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2006, 2005 and 2004 were \$23,895, \$23,885, and \$23,390 respectively; 100 percent has been contributed for 2006, 2005 and 2004.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2006**

NOTE 5: POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.55 percent of covered payroll (13.70 percent effective January 1, 2006); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

At December 31, 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$10,009. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2006**

NOTE 5: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 6: **RISK MANAGEMENT**

NEFCO is exposed to various risks of loss related to torts; theft and damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties: a) General liability and casualty and b) Public officials' liability.

NEFCO also provides health insurance and dental and vision, flex spending, and life insurance coverage for full-time employees through Summit County.

NOTE 7: **CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2006**

NOTE 8: OPERATING LEASE

NEFCO entered into an operating lease agreement with Summit County for use of property. The premises shall be for the location of NEFCO. The original lease commenced June 1, 2002, and terminated on May 31, 2004. The monthly payment under this lease was \$2,083. On March 17, 2004, the General Policy Board approved the renewal of the lease for two years, with a 5 percent increase in cost. The monthly cost increased to \$2,188. The County is responsible for the interior and exterior maintenance and repairs, utilities, and insurance for risk of fire and malicious mischief. NEFCO is responsible for telephone service, inspections and/or permits, and comprehensive general liability insurance. Effective June 1, 2006 a new lease agreement was executed which increased the rent to \$2,415 per month. This agreement is effective until May 31, 2007, with potential renewal for 3 additional years.

NOTE 9: LINE OF CREDIT

NEFCO has a line of credit with National City Bank for operating disbursements at a fluctuating rate of interest. NEFCO had a balance of \$35,000 on June 30, 2006 for operating disbursements due to delays in funding.

The activity on the line of credit for the fiscal year is as follows:

<u>Balance</u> <u>7/01/2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/2006</u>
\$ 25,000	\$ 76,000	\$ 66,000	\$ 35,000

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SCHEDULE OF INDIRECT COSTS AND COST ALLOCATION
METHOD (UNAUDITED)
JUNE 30, 2006**

Indirect costs were distributed to projects and activities pursuant to a method of allocation required by the Office of Management and Budget Circular A-87 and Handbook 6042.1, Revised.

The indirect cost allocation rate for the fiscal year ended June 30, 2006 was as follows:

A. Indirect costs for all projects	\$ 143,361
B. Total direct salaries and fringes	246,369
C. Allocation percentage (A/B)	58.2%

The following are the indirect costs allocated to projects for the fiscal year ended June 30, 2006:

Indirect Payroll	\$ 50,463
Indirect Payroll (Vacation/Sick)	41,951
Indirect Contract	611
Telephone	414
Travel	1,114
Insurance	2,277
Membership	2,360
Professional Fees (Legal, Audit)	346
Interest	1,334
Equipment Maintenance	1,119
Equipment Rental	4,607
Office Supplies	1,953
Conferences/Meetings	241
Postage	1,659
Subscriptions	1,922
Computer Supplies and Equipment	1,775
Service Charges	904
Advertising	79
Office Rent	26,478
Internet Access	<u>1,754</u>
Total Indirect Cost	<u>\$ 143,361</u>

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Unaudited)**

The management's discussion and analysis of the Northeast Ohio Four County Regional Planning and Development Organization's (NEFCO) financial performance provides an overall review of NEFCO's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at NEFCO's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of NEFCO's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Assets, were less than total liabilities at the close of the most recent fiscal year by \$13,481.
- General revenues accounted for \$177,806 in revenue or 48.9 percent of all net operating revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$185,461 or 51.1 percent of total revenues of \$363,267.
- NEFCO had \$395,258 in expenses related to governmental activities; \$185,461 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$177,806 were adequate to provide for these programs.

Overview of the Financial Statements

The management's discussion and analysis is intended to serve as an introduction to NEFCO's basis financial statements. NEFCO's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of NEFCO's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all NEFCO's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of NEFCO is improving or deteriorating.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Unaudited)**

The *statement of activities* presents information showing how NEFCO's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave.)

The government-wide financial statements can be found on pages 20 and 21 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. NEFCO, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of NEFCO are included in the governmental funds category. Because NEFCO utilizes a single special revenue fund, fund financial statements are not presented.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to develop a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements start on page 20 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of NEFCO as a whole. Table 1 provides a comparison of NEFCO's net assets for the years ended June 30, 2005 and 2004.

Table 1 - Statement of Net Assets

<u>Assets</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
Current and Other Assets	\$ 16,546	\$ 42,672	\$ (26,126)
Total Assets	<u>16,546</u>	<u>42,672</u>	<u>(26,126)</u>
<u>Liabilities</u>			
Payroll Withholdings	5,027	4,162	865
Other Liabilities	<u>25,000</u>	<u>20,000</u>	<u>5,000</u>
Total Liabilities	<u>30,027</u>	<u>24,162</u>	<u>5,865</u>
<u>Net Assets</u>			
Unrestricted	<u>(13,481)</u>	<u>18,510</u>	<u>(31,991)</u>
Total Net Assets	<u>\$ (13,481)</u>	<u>\$ 18,510</u>	<u>\$ (31,991)</u>

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Unaudited)**

Table 2 shows the revenue for NEFCO as a whole during fiscal year 2005.

Table 2 - Revenues

<u>Revenues</u>	2005 Total <u>Revenue</u>	2004 Total <u>Revenue</u>	<u>Change</u>
<i>Program Revenues</i>			
Charges for Services	\$ 2,164	\$ 3,069	\$ (905)
Operating Grants/Contributions	183,297	207,596	(24,299)
<i>General Revenues</i>			
Membership Dues	177,694	171,770	5,924
Investment Earnings	112	197	(85)
Total Revenues	<u>\$ 363,267</u>	<u>\$ 382,632</u>	<u>\$ (19,365)</u>

Table 3 shows total program expenses and net program expense.

Table 3 - Total Program Expenses

<u>Program Expenses</u>	2005 Program <u>Expense</u>	2004 Program <u>Expense</u>	<u>Change</u>
General Government	\$ 62,817	\$ 51,755	\$ 11,062
Economic Development	103,400	130,563	(27,163)
Water Quality Planning	229,041	222,889	6,152
Total Program Expenses	<u>395,258</u>	<u>405,207</u>	<u>(9,949)</u>
Change in Net Assets	<u>\$ (31,991)</u>	<u>\$ (22,575)</u>	<u>\$ (9,416)</u>

Capital Assets

Because NEFCO is on a modified cash basis, they do not report capital assets.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005
(Unaudited)**

Debt

NEFCO has debt in the form of a line of credit. The amount owed at the end of the fiscal years is as follows:

Line of Credit	<u>2005</u> <u>\$ 25,000</u>	<u>2004</u> <u>\$ 20,000</u>
Total	<u>\$ 25,000</u>	<u>\$ 20,000</u>

Contacting the Organization's Financial Management

This financial report is designed to provide our members, grantors, citizens and creditors with a general overview of NEFCO's finances and to show NEFCO's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Executive Director, Northeast Ohio Four County Regional Planning and Development Organization, 180 East South Street, Akron, Ohio 44311.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2005**

	Government <u>Activities</u>
<u>Assets</u>	
Current Assets	
Cash	<u>\$ 16,546</u>
Total Assets	<u>16,546</u>
<u>Liabilities</u>	
Payroll Withholdings	5,027
Line of Credit	<u>25,000</u>
Total Liabilities	<u>30,027</u>
<u>Net Cash Assets</u>	
Unrestricted	<u>(13,481)</u>
Total Net Assets	<u><u>\$ (13,481)</u></u>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes In Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Government Activities:				
General Government	\$ 62,817	\$ 2,164	\$ 0	\$ (60,653)
Economic Development Planning	103,400	0	51,628	(51,772)
Water Quality Planning	<u>229,041</u>	<u>0</u>	<u>131,669</u>	<u>(97,372)</u>
Total Governmental Activities	<u>395,258</u>	<u>2,164</u>	<u>183,297</u>	<u>(209,797)</u>
General Revenues:				
Membership Dues				177,694
Unrestricted Investment Earnings				<u>112</u>
Total General Revenues				<u>177,806</u>
Changes in Net Assets				(31,991)
Net Assets - Beginning				<u>18,510</u>
Net Assets - Ending				<u>\$ (13,481)</u>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 16,546	\$ 16,546
Total Assets	<u>16,546</u>	<u>16,546</u>
<u>Liabilities</u>		
Payroll Withholdings	5,027	5,027
Line of Credit	<u>25,000</u>	<u>25,000</u>
Total Liabilities	<u>30,027</u>	<u>30,027</u>
<u>Net Cash Assets</u>		
Unrestricted	<u>(13,481)</u>	<u>(13,481)</u>
Total Net Assets	<u>\$ (13,481)</u>	<u>\$ (13,481)</u>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>		
Charges for Services	\$ 2,164	\$ 2,164
Membership Dues	177,694	177,694
Intergovernmental	183,297	183,297
Interest	<u>112</u>	<u>112</u>
Total Revenues	<u>363,267</u>	<u>363,267</u>
<u>Expenditures</u>		
Current:		
General Government	62,817	62,817
Economic Development Planning	103,400	103,400
Water Quality Planning	<u>229,041</u>	<u>229,041</u>
Total Expenditures	<u>395,258</u>	<u>395,258</u>
Net Change in Fund Balances	(31,991)	(31,991)
Fund Balances - Beginning	<u>18,510</u>	<u>18,510</u>
Fund Balances - Ending	<u><u>\$ (13,481)</u></u>	<u><u>\$ (13,481)</u></u>

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northeast Ohio Four County Regional Planning and Development Organization, Summit County, (NEFCO) 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. NEFCO is directed by a 42 member Board. NEFCO was formed as a Regional Council of Governments by the elected officials within Portage, Stark, Summit and Wayne Counties pursuant to Chapter 167 of the Ohio Revised Code. Its purpose is to foster a cooperative effort in regional planning and programming, and the implementation of regional plans and programs. NEFCO is also organized as a forum for the discussion and study of common problems of a regional nature, and for the development of policies and actions and related recommendations.

NEFCO is supported by grants and by local dues paid by various political subdivisions served; such local dues are generally assessed at \$.145 per capita per year. These dues serve as the primary local matching sources for certain federal and state grants.

NEFCO's management believes these financial statements present all activities for which the entity 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 the modified 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. In addition, NEFCO is recognizing payroll withholdings and the line of credit balance as a liability.

C. Fund Accounting

NEFCO's utilizes Peachtree accounting software to maintain their financial information. The software allows for the accurate tracking of revenue and expenditure information in accordance with fund accounting, however, it does not have the ability to print reports that include the fund balance. Since NEFCO is not required by the Ohio Revised Code to encumber funds, the cash balance is equal to the fund balance. NEFCO classifies its activity into the following type:

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Fund Accounting (Continued)

Special Revenue Funds

This combined fund is used to account for all financial activity of NEFCO.

D. Property, Plant and Equipment

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

E. 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 basis of accounting NEFCO uses.

NOTE 2: CHANGE IN BASIS OF ACCOUNTING

In the fiscal year 2004, the Agency reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the Auditor of State's Office. In fiscal year 2005, the Agency implemented the reporting format of GASB Statement No. 34.

NOTE 3: EQUITY IN POOLED CASH AND INVESTMENTS

NEFCO maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

Demand deposits	\$ 16,546
-----------------	-----------

Deposits: Deposits are fully insured by the Federal Depository Insurance Corporation. The bank balance at June 30, 2005 was \$18,587.

Investments: NEFCO had no investments during the fiscal year ending June 30, 2005.

NOTE 4: BUDGETARY ACTIVITY

NEFCO is not subject to budgetary compliance with the Ohio Revised Code; however, for each fiscal year, the General Policy Board adopts a budget detailing anticipated disbursements for the year at the function level. For the fiscal year ended June 30, 2005, the approved budget totaled \$434,416. Total actual expenditures totaled \$395,258.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2005**

NOTE 5: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

The Agency participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employee contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the period ended June 30, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries (9 percent effective January 1, 2006). The Agency's contribution rate for pension benefits for 2006 was 9.55 percent of covered payroll (9.7 percent effective January 1, 2006). The Ohio Revised Code provides statutory authority for member and employer contributions.

The Agency's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2005, 2004 and 2003 were \$23,885, \$23,390, and \$19,914 respectively; 100 percent has been contributed for 2005, 2004 and 2003.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2005**

NOTE 6: **POST EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.55 percent of covered payroll (13.70 percent effective January 1, 2006); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

At December 31, 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$10,004. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2005**

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 7: **RISK MANAGEMENT**

NEFCO is exposed to various risks of loss related to torts; theft and damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties: a) General liability and casualty and b) Public officials' liability.

NEFCO also provides health insurance and dental and vision coverage for full-time employees through Summit County.

NOTE 8: **CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
JUNE 30, 2005**

NOTE 9: OPERATING LEASE

NEFCO entered into an operating lease agreement with Summit County for use of property. The premises shall be for the location of NEFCO. The original lease commenced June 1, 2002, and terminated on May 31, 2004. The monthly payment under this lease was \$2,083. On March 17, 2004, the General Policy Board approved the renewal of the lease for two years, with a 5 percent increase in cost. The monthly cost is now \$2,188. The County is responsible for the interior and exterior maintenance and repairs, utilities, and insurance for risk of fire and malicious mischief. NEFCO is responsible for telephone service, inspections and/or permits, and comprehensive general liability insurance.

NOTE 10: LINE OF CREDIT

NEFCO has a line of credit with National City Bank for operating disbursements at a fluctuating rate of interest. NEFCO had a balance due of \$25,000 on June 30, 2005 for operating disbursements due to delays in funding.

The activity on the line of credit for the fiscal year is as follows:

<u>Balance</u> <u>07/01/2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance Due</u> <u>06/30/2005</u>
\$ 20,000	\$ 25,000	\$ 20,000	\$ 25,000

NOTE 11: CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

At July 1, 2004, NEFCO changed from the cash basis to the modified cash basis of accounting. This change involved the recognition of payroll withholdings and the line of credit as liabilities. These changes had the following effect on fund equity.

Equity Balance June 30, 2004	\$ 42,699
Adjustments to Modified Cash Basis	<u>(24,189)</u>
Restated Equity Balance June 30, 2004	<u>\$ 18,510</u>

**NORTHEAST OHIO FOUR COUNTY REGIONAL
PLANNING AND DEVELOPMENT ORGANIZATION
SCHEDULE OF INDIRECT COSTS AND COST ALLOCATION
METHOD (UNAUDITED)
JUNE 30, 2005**

Indirect costs were distributed to projects and activities pursuant to a method of allocation required by the Office of Management and Budget Circular A-87 and Handbook 6042.1, Revised.

The indirect cost allocation rate for the fiscal year ended June 30, 2005 was as follows:

A. Indirect costs for all projects	\$ 141,950
B. Total direct salaries and fringes	241,379
C. Allocation percentage (A/B)	58.8%

The following are the indirect costs allocated to projects for the fiscal year ended June 30, 2005:

Indirect Payroll	\$ 44,695
Indirect Contract	38,161
Telephone	435
Accounting	1,500
Travel	1,022
Insurance	2,028
Membership	3,760
Professional Fees (Legal, Audit)	6,186
Interest	286
Equipment Maintenance	1,316
Equipment Rental	4,606
Meeting Expense	952
Office Supplies	2,970
Outside Reproduction	66
Postage	2,119
Building Maintenance	35
Computer Supplies and Equipment	3,170
Service Charges	854
Advertising	67
Office Rent	26,250
Internet Access	<u>1,472</u>
Total Indirect Cost	<u>\$ 141,950</u>

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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**

General Policy Board
Northeast Ohio Four County Regional
Planning and Development Organization
180 East South Street
Akron, Ohio 44311

We have audited the financial statements of the Northeast Ohio Four County Regional Planning and Development Organization, as of and for the years ended June 30, 2006 and June 30, 2005 which collectively comprise the Agency's basic financial statements and have issued our report thereon dated April 30, 2007. As reported in Note 2 to the financial statements for the period ended June 30, 2005 the Agency revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency'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 prevented or detected by the Agency'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 Organization'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 that are required to be reported under *Government Auditing Standards*.

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

April 30, 2007



Mary Taylor, CPA
Auditor of State

NORTHEAST OHIO FOUR COUNTY REGIONAL PLANNING AND DEVELOPMENT ORGANIZATION

SUMMIT 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
AUGUST 14, 2007**