



**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Northeast Ohio Areawide Coordinating Agency
Cuyahoga County
1299 Superior Avenue
Cleveland, Ohio 44114-3204

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northeast Ohio Areawide Coordinating Agency, Cuyahoga County, Ohio, (NOACA) as of and for the year ended June 30, 2005, which collectively comprise NOACA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of NOACA's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Northeast Ohio Areawide Coordinating Agency, Cuyahoga County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005, on our consideration of NOACA'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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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.

We conducted our audit to opine on the financial statements that collectively comprise NOACA's basic financial statements. The provisional rate computation and fixed rate computation schedules provide additional information and are not a required part of the basic financial statements. The federal expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the provisional rate computation and fixed rate computation schedules to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.



Betty Montgomery
Auditor of State

December 16, 2005

*Northeast Ohio Areawide Coordinating Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2005*

The management's discussion and analysis of Northeast Ohio Areawide Coordinating Agency's (NOACA) financial performance provides an overall review of NOACA's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at NOACA'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 NOACA's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Assets, excluding capital assets, exceeded total current liabilities at the close of the most recent fiscal year by \$2.86 million. Of this amount, \$344,357 is restricted for the NOACA's leasehold requirement.
- General revenues accounted for \$735,630 in revenue or 16.9 percent of all net operating revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$3.61 million or 83.1 percent of total revenues of \$4.34 million.
- NOACA had \$4.30 million in expenses related to governmental activities; \$3.61 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$735,630, along with cash balances, were adequate to provide for these programs.
- Among major funds, the general fund had \$461,512 in revenues and \$283,390 in expenditures. The general fund's balance at the close of the current year was 1,009 percent of the current year's expenditures.

Overview of the Financial Statements

The management's discussion and analysis is intended to serve as an introduction to NOACA's basic financial statements. NOACA'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 NOACA's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all NOACA'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 NOACA is improving or deteriorating.

*Northeast Ohio Areawide Coordinating Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2005*

The *statement of activities* presents information showing how NOACA'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 9 and 10 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. NOACA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of NOACA are included in the governmental funds category.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating NOACA's near-term financing requirements.

Since the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net assets and statement of activities.

NOACA maintains 13 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of fund revenues, expenditures and changes in fund balance for the General, OCPG and State WQ funds which are considered major funds. Data from the other ten governmental funds are combined into single, aggregate presentation.

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 13 of this report.

**Northeast Ohio Areawide Coordinating Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

Government-Wide Financial Analysis

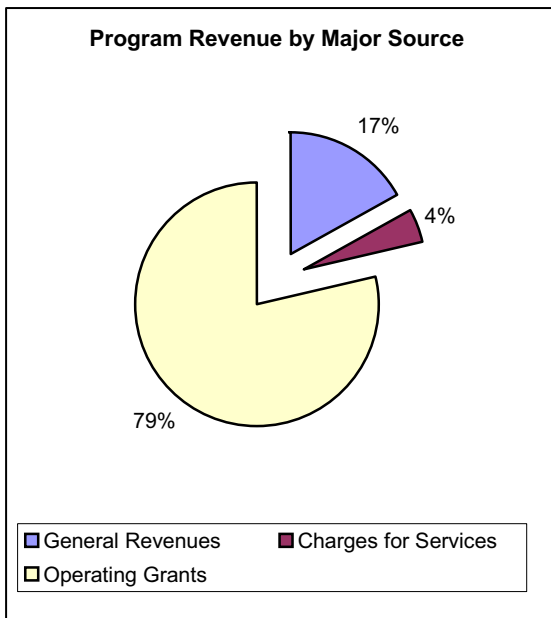
Recall that the Statement of Net Assets provides the perspective of NOACA as a whole. Table 1 provides a comparison of NOACA's net assets for the years ended June 30, 2005 and 2004.

*Table 1
Net Assets
(in Millions)*

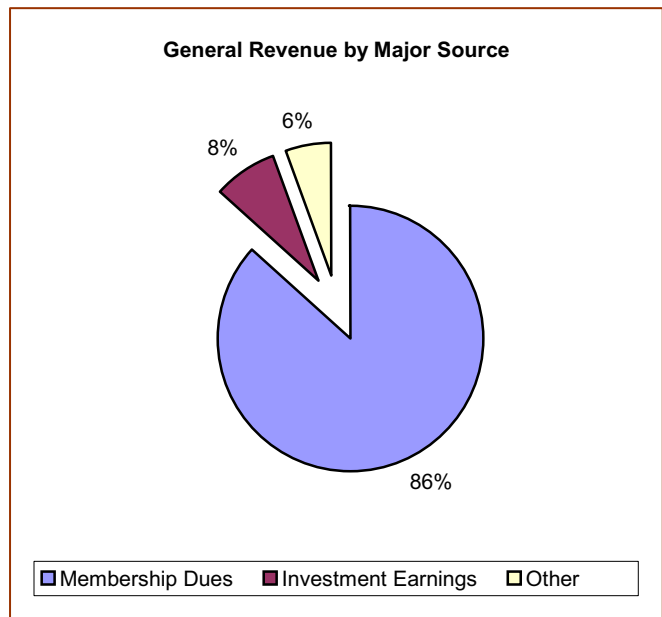
<u>Assets</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
Current and Other Assets	3.05	2.95	.10
Capital Assets	<u>2.29</u>	<u>2.47</u>	<u>(.18)</u>
Total Assets	5.34	5.42	(.08)
<u>Liabilities</u>			
Long-term Liabilities	(3.15)	(3.25)	.10
Other Liabilities	<u>(.19)</u>	<u>(.28)</u>	<u>.09</u>
Total Liabilities	<u>(3.34)</u>	<u>(3.53)</u>	<u>.19</u>
<u>Net Assets</u>			
Invested in Capital Assets	(.33)	(.28)	(.05)
Restricted for:			
Leasehold Requirement	.34	.34	.00
Unrestricted	<u>1.98</u>	<u>1.84</u>	<u>(.14)</u>
Total Net Assets	<u>1.99</u>	<u>1.90</u>	<u>(.09)</u>

Graphs 1 and 2 break down NOACA's revenue into percentages by type of revenue.

Graph 1



Graph 2



**Northeast Ohio Areawide Coordinating Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2005**

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

Table 2 Revenues (in Millions)		<u>Total Revenue</u>
Revenues		
<i>Program Revenues</i>		
Charges for Services		\$.19
Operating Grants/Contributions		3.42
<i>General Revenues</i>		
Membership Dues		.64
Investment Earnings		.06
Other		<u>.04</u>
Total Revenues		<u>\$ 4.35</u>

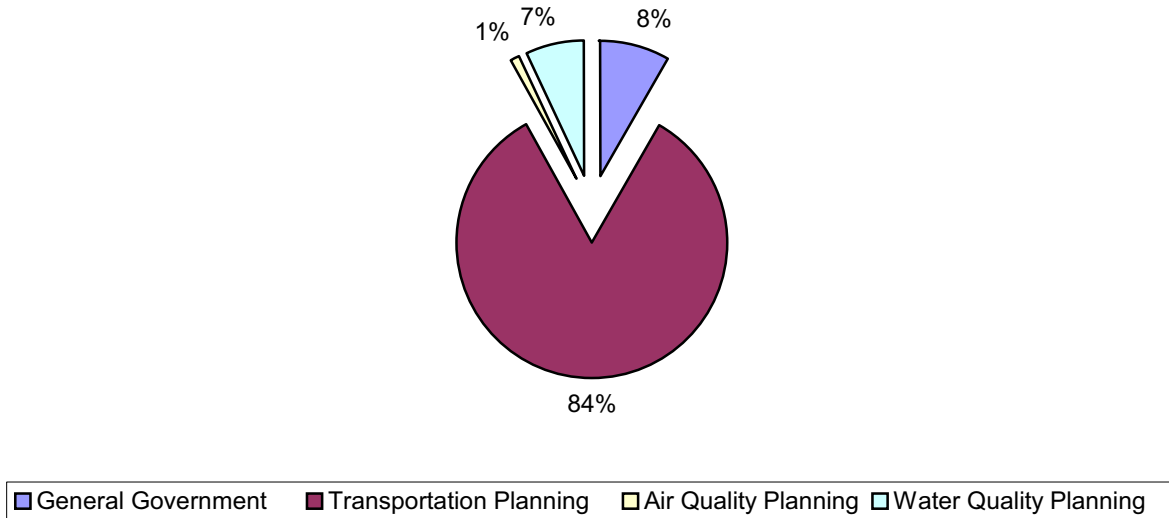
Table 3 shows total program expenses and net program expense.

Table 3 Total Program Expenses (in Millions)		
	<u>Program Expense</u>	<u>Net Program Expense</u>
Program Expenses		
General Government	\$.36	\$ (.16)
Transportation Planning	3.54	(.30)
Air Quality Planning	.15	(.03)
Water Quality Planning	.25	(.21)
Other	<u>.00</u>	<u>.02</u>
Total Expenses	4.30	<u>\$ (.68)</u>
Change in Net Assets	<u>(.54)</u>	
Ending Net Assets	<u>\$ 2.00</u>	

*Northeast Ohio Areawide Coordinating Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2005*

Graph 3 shows a breakdown of expenditures by percentage in the major categories.

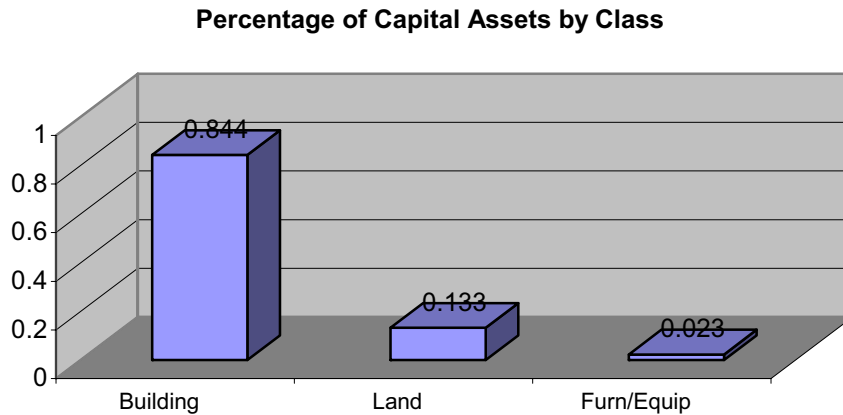
Graph 3



Capital Assets

At the end of the year, NOACA had \$2.29 million invested in buildings and equipment, less accumulated depreciation. For further information on NOACA's capital assets, refer to Note 4 of the basic financial statements.

Graph 4 shows the breakdown (by percentage) of the individual classes for capital assets.



*Northeast Ohio Areawide Coordinating Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2005*

The Major Funds

NOACA's major funds presentation begins on page 11. These funds are accounted for using the modified accrual basis of accounting, focusing on the near term financial resources of NOACA. All governmental funds had total revenues of \$4.39 million and expenditures of \$4.22 million. The net change in fund balance for the year represented 6.6 percent of the years beginning fund balance.

The general fund recognized \$123,318 in current liabilities for fiscal year 2005. Accrued salaries and benefits accounted for 34.7% of those liabilities. The other major funds, OCPG and State WQ, recognized \$26,027 and \$51,003 in current liabilities for the fiscal year, respectively. Interfund liabilities accounted for 98.7% of those liabilities.

Contacting the Agency's Financial Management

This financial report is designed to provide our members, grantors, citizens and creditors with a general overview of NOACA's finances and to show NOACA's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Director of Finance and Operations, Northeast Ohio Areawide Coordinating Agency, 1299 Superior Avenue, Cleveland, OH 44114.

Northeast Ohio Areawide Coordinating Agency
Statement of Net Assets
June 30, 2005

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,569,025
Receivables:	
Accounts	140,362
Deposits	670
Prepays	431
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	344,357
Nondepreciable Capital Assets	322,500
Depreciable Capital Assets, Net	1,967,242
Total Assets	5,344,587
 <u>Liabilities</u>	
Payables:	
Accounts	101,932
Salaries and Employee Benefits	42,808
Deferred Revenue	51,003
Noncurrent Liabilities:	
Due within one year	481,999
Due in more than one year	2,667,028
Total Liabilities	3,344,770
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	(328,591)
Restricted for:	
Leasehold Requirement	344,357
Unrestricted	1,984,051
Total Net Assets	\$1,999,817

See accompanying notes to the basic financial statements

Northeast Ohio Areawide Coordinating Agency
Statement of Activities
For the Year Ended June 30, 2005

<u>Function/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
Governmental Activities:				
General Government	\$356,210	\$191,105	\$0	(\$165,105)
Transportation Planning	3,540,954	0	3,242,419	(298,535)
Air Quality Planning	147,025	0	119,003	(28,022)
Water Quality Planning	246,398	0	88,854	(157,544)
Other	0	0	18,878	18,878
Total Governmental Activities	<u>4,290,587</u>	<u>191,105</u>	<u>3,469,154</u>	<u>(630,328)</u>

General Revenues:	
Membership Dues	\$637,995
Unrestricted investment earnings	56,773
Miscellaneous	40,862
Total General Revenues	<u>735,630</u>
Changes in Net Assets	105,302
Net Assets-Beginning	<u>1,894,515</u>
Net Assets-Ending	<u><u>\$1,999,817</u></u>

See accompanying notes to the basic financial statements

Northeast Ohio Areawide Coordinating Agency
Balance Sheet - Governmental Funds
June 30, 2005

Northeast Ohio Areawide Coordinating Agency
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

	General	OCPG	State WQ	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,518,022	\$0	\$51,003	\$0	\$2,569,025
Receivables:					
Accounts	14,243	26,027	0	100,092	140,362
Interfund	104,697	0	0	4,165	108,862
Prepays	431	0	0	0	431
Deposits	670	0	0	0	670
Restricted Assets:					
Cash and Cash Equivalents	344,357	0	0	0	344,357
Total Assets	\$2,982,420	\$26,027	\$51,003	\$104,257	\$3,163,707
Liabilities and Fund Balances					
Liabilities					
Payables:					
Accounts	\$80,510	\$344		\$21,078	\$101,932
Salaries and Employee Benefits	42,808	0		0	42,808
Interfund	0	25,683		83,179	108,862
Deferred Revenue	0	0	51,003	0	51,003
Total Liabilities	123,318	26,027	51,003	104,257	304,605
Fund Balances:					
Reserved for:					
Capital Lease	344,357	0	0	0	344,357
Unreserved, reported in:					
General	2,514,745	0	0	0	2,514,745
Total Fund Balances	2,859,102	0	0	0	2,859,102
Total Liabilities and Fund Balances	\$2,982,420	\$26,027	\$51,003	\$104,257	\$3,163,707

Reconciliation of Total Governmental Fund Balances to Net asset of Governmental Activities

Total Governmental Fund Balances	\$2,859,102
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,289,742
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,149,027)
Net Assets of Governmental Activities	<u>\$1,999,817</u>

See accompanying notes to the basic financial statements

Northeast Ohio Areawide Coordinating Agency
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2005

Northeast Ohio Areawide Coordinating Agency
Reconciliation of the Statements of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the fiscal Year Ended June 30, 2005

	General	OCPG	State WQ	Other Governmental Funds	Total Governmental Funds
Revenues:					
Charges for Services	\$191,105	\$0	\$0	\$0	\$191,105
Membership Dues	172,772	287,790	0	177,433	637,995
Intergovernmental	40,862	2,590,110	0	860,166	3,491,138
Interest	56,773	0	0	0	56,773
Other	0	0	0	18,878	18,878
Total Revenues	461,512	2,877,900	0	1,056,477	4,395,889
Expenditures:					
Current:					
General Government	147,557	0	0	0	147,557
Capital Lease Payments	135,833	0	0	0	135,833
Transportation Planning	0	2,877,900	0	663,054	3,540,954
Air Quality Planning	0	0	0	147,025	147,025
Water Quality Planning	0	0	0	246,398	246,398
Total Expenditures	283,390	2,877,900	0	1,056,477	4,217,767
Net Change in Fund Balances	178,122	0	0	0	178,122
Fund Balances - beginning	2,680,980	0	0	0	2,680,980
Fund Balances - ending	\$2,859,102	\$0	\$0	\$0	\$2,859,102

Net Change in Governmental Fund Balances \$178,122

Amounts reported in governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (179,727)

Repayment of long-term obligations is reported as an expenditure in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. In the current year, this amount is: 135,833

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (28,926)

\$105,302

Change in Net Assets of Governmental Activities

See accompanying notes to the basic financial statements

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE REPORTING ENTITY AND BASIS OF PRESENTATION

The Northeast Ohio Areawide Coordinating Agency (NOACA) is a comprehensive planning and transportation agency formed for the purpose of coordinating and reviewing federal and state funded planning activities and proposals in northeast Ohio. NOACA was created under Ohio Revised Code Section, 307.14. Members of NOACA include the counties of Cuyahoga, Geauga, Lake, Lorain and Medina and is open to all cities, villages, and townships located in those counties. The Governing Board is made up of representatives, who hold public office, from the various member counties. There are approximately 38 voting representatives on the NOACA Board which fluctuates according to population.

Governmental accounting standards require disclosure of any organizations for which NOACA is financially accountable. NOACA's combined basic financial statements consist of all funds, departments, commissions and boards that are not legally separate from NOACA. NOACA is financially accountable for an organization if NOACA appoints a voting majority of the organization's governing board and (1) NOACA is able to significantly influence the programs or services performed or provided by the organization; or (2) NOACA is legally entitled to or can otherwise access the organization's resources; NOACA is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or NOACA is obligated for the debt of the organization. The criteria for including entities and funds in NOACA's financial statements are in agreement with the Governmental Accounting Standards Board (GASB) Statement 14, Sec. 2100, Authoritative Status of Pronouncements. There are no other governments for which NOACA is financially accountable that require inclusion in this presentation.

The accounts of NOACA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The various funds are summarized by type in the basic financial statements.

NOACA uses governmental funds with the following major funds presented below:

GOVERNMENTAL FUNDS:

Governmental funds are those through which all governmental functions of NOACA are financed. The acquisition, use and balances of NOACA's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are NOACA's major governmental funds:

NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**A. DESCRIPTION OF THE REPORTING ENTITY AND BASIS OF PRESENTATION
(Continued)**

General Fund. The General Fund is the operating fund of NOACA and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to NOACA for any purpose provided it is expended or transferred according to the general laws of Ohio.

OCPG Fund. The OCPG Fund is used to account for the proceeds of specific revenue sources (FHWA/ODOT) that are legally restricted to expenditure for specified purposes.

State WQ Fund. The State Water Quality Fund is used to account for the proceeds of specific revenue sources (OEPA) that are legally restricted to expenditure for specified purposes.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by charges for services and intergovernmental revenues.

B. BASIS OF ACCOUNTING

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF ACCOUNTING (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Grants, membership dues and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the NOACA considers revenues to be available if they are collected within sixty days of the end of the fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, compensated absences are recorded only when payment is due.

Non-exchange transactions, in which NOACA receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Agency must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to NOACA on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NET ASSETS: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of these assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by NOACA or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF ACCOUNTING (Continued)

BUDGETARY AND ACCOUNTING CONTROL: In May/June of each year, management submits an estimate of operating expenditures for the current calendar year to the NOACA Board for their approval. In addition, a fiscal year budget prepared by project is submitted to the Ohio Department of Transportation as a basis for NOACA's overall work program. NOACA is not subject to Ohio Revised Code budgetary requirements.

CASH AND SHORT TERM INVESTMENTS: Cash and short term investments consist of bank balances, investments in the State Treasurer's Investment Pool (STAROhio), an overnight sweep account, certificates of deposit, and government securities.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2005.

RESTRICTED CASH:

NOACA is required to maintain a cash balance with Huntington Banks equal to 10% of the Bond proceeds related to the capital lease with the Cleveland Cuyahoga County Port Authority for the building located at 1299 Superior Avenue, Cleveland, Ohio. The capital lease is presented further in Note 9 to the basic financial statements. The carrying amount of \$344,357 with Huntington Banks represents the 10% reserve requirement related to the capital lease. This cash is therefore restricted and identified as such in the assets and equity sections of the governmental fund balance sheet.

CAPITAL ASSETS: Capital assets in service are stated on the basis of historical cost or, if contributed, at fair market value at the date received. Interest incurred during construction is not capitalized on capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The capitalization threshold is \$300.

Property, plant and equipment of NOACA is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20
Furniture/Equipment	5
Computer Hardware	3

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF ACCOUNTING (Continued)

COMPENSATED ABSENCES: Vacation and sick benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to service already rendered and it is probable that NOACA will compensate the employees for the benefits through paid time off or some other means. The liability includes the employees who are currently eligible to receive termination benefits and those NOACA has identified as probable of receiving payment in the future. The amount is based on accumulated leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in NOACA's termination policy.

NOACA records a liability for accumulated unused vacation time when earned for all employees. NOACA records a liability for accumulated unused sick leave for all employees, taking into consideration any limits specified in NOACA's termination policy.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period, for example, as a result of employee resignations and retirements. The entire compensated absences liability is reported on the government-wide statement of net assets.

FEDERAL AND STATE AGENCY GRANT FUNDS: Project funds authorized under federal and state agency grants are requisitioned from such agencies either on an advance basis or for reimbursement of eligible costs incurred up to amounts contracted for under each grant. These funds are accounted for at the time eligible costs are incurred.

LOCAL CONTRIBUTIONS: Member units of government are assessed membership dues to generate local operating funds and to provide the local matching requirements of federal and state grants.

A local matching contribution is required for most federal and state grants. The exact amount of each matching contribution depends on the federal or state contribution level.

The membership dues are assessed in May or June for the current fiscal year and are accounted for at the time the dues are invoiced. The assessment is made on the basis of the relationship of population in each area as a percentage of the total population served by NOACA.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF ACCOUNTING (Continued)

INDIRECT COSTS: To facilitate equitable distribution of common purpose costs benefiting more than one indirect cost objective, NOACA has negotiated an agency-wide indirect cost allocation plan with its oversight federal agency, the Federal Highway Administration through the Ohio Department of Transportation (ODOT). Rates are based upon a percentage of direct wages and applicable fringe benefits to include sick time, holiday pay, vacation pay, personal days, employer and employee portion of retirement, workers compensation insurance, hospitalization and unemployment insurance. A fixed indirect cost rate is approved annually by ODOT for use during the fiscal year based upon the previous year's actual experience. Differences between the fixed and actual rate will be adjusted in the subsequent year. As a result, negative expenditures may occur.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (INCLUDING REPURCHASE AGREEMENTS)

Monies held by NOACA are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet demands upon NOACA's treasury. Active monies must be maintained either as cash in NOACA's treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Inactive deposits are public deposits that NOACA has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by NOACA can be deposited or invested in the following securities:

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (INCLUDING REPURCHASE AGREEMENTS) (Continued)

LEGAL REQUIREMENTS:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association
Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies; and
9. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (INCLUDING REPURCHASE AGREEMENTS) (Continued)

LEGAL REQUIREMENTS: (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

DEPOSITS:

CUSTODIAL CREDIT RISK: Custodial credit risk for deposits is the risk that in the event of bank failure, NOACA will not be able to recover deposits or collateral securities that are in possession of an outside party. As of June 30, 2005, the carrying amount of NOACA's deposits was \$158,561 and the bank balance was \$265,200. Of the bank balance \$100,000 was covered by federal depository insurance or by individual surety bonds and \$165,200 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject NOACA to a successful claim by the FDIC.

NOACA has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with NOACA or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

INVESTMENTS: Investments are reported at fair value. As of June 30, 2005, NOACA had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Huntington Bank Money Market	\$ 46,870	1 Day
STAR Ohio	500,102	33 Days
U.S. Treasury Bill	198,026	9/01/05 – 12/15/05
U.S. Treasury Note	99,461	10/31/05
Federal Home Loan Bank	427,119	7/29/05 – 12/31/05
Federal Home Loan Mortgage Corp.	789,706	8/08/05 – 2/27/06
Federal National Mortgage Assoc.	<u>693,537</u>	7/20/05 – 6/30/06
Total	<u>\$ 2,754,821</u>	

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (INCLUDING REPURCHASE AGREEMENTS) (Continued)

DEPOSITS: (Continued)

INTEREST RATE RISK: As a means of limiting its exposure to fair value losses caused by rising interest rates, NOACA's investment policy requires that operating funds be invested primarily in short-term investments maturing within 5 years from the date of purchase and that NOACA's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than two years.

CUSTODIAL CREDIT RISK: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, NOACA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Huntington Bank Money Market and the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in NOACA's name. NOACA employs the use of "safekeeping" accounts to hold and maintain custody of its investments as identified within the investment policy and as a means of mitigating this risk.

CREDIT RISK: The Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association Notes carry a rating of AAA by the Standard & Poor's. The Huntington Money Market account and STAR Ohio carry a rating of AAAM by Standard & Poor's. The U.S. Governmental Agencies are not rated. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. NOACA has no investment policy that would further limit its investment choices.

CONCENTRATION OF CREDIT RISK: NOACA may invest in any investment that is not specifically guaranteed by the U.S. Government or considered a money market mutual fund up to fifty percent of total available investable cash at the end of each month during the fiscal year. The following is NOACA's allocation as of June 30, 2005:

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (INCLUDING REPURCHASE AGREEMENTS) (Continued)

DEPOSITS: (Continued)

<u>Investment</u>	<u>Percentage of Investments</u>
Huntington Bank Money Market	1.7%
STAR Ohio	18.15%
U.S. Treasury Bills	7.19%
U.S. Treasury Note	3.61%
Federal Home Loan Bank	15.50%
Federal Home Loan Mortgage Corp.	28.67%
Federal National Mortgage Assoc.	25.18%

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classification of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,913,382	\$ 0
Investments:		
Huntington Bank Money Market	(46,870)	46,870
STAR Ohio	(500,102)	500,102
U.S. Treasury Bill	(198,026)	198,026
U.S. Treasury Note	(99,461)	99,461
Federal Home Loan Bank Bonds	427,119)	427,119
Federal Home Loan Mortgage Corp	(789,706)	789,706
Federal National Mortgage Association	<u>693,537)</u>	<u>693,537</u>
GASB Statement No. 3	<u>\$ 158,561</u>	<u>\$ 2,754,821</u>

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

3. PUBLIC EMPLOYEES RETIREMENT SYSTEM

PENSION BENEFITS

NOACA 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 employer contributions (employer contributions vest over 5 years at 20% 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 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 St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended June 30, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. NOACA's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

NOACA's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2005, 2004, and 2003 were \$207,929, \$209,474, and \$210,368 respectively; 100 percent has been contributed for the years ended June 30, 2005, 2004 and 2003. There were no contributions made to the member-directed plan by either the plan member or NOACA.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

3. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

OTHER POST – EMPLOYMENT BENEFITS (OPEB)

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 with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post retirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55% of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund healthcare.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, 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 costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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.

The number of active participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005, which were used to fund post-employment benefits were \$97,056 (assuming a rate of 29.52 percent during the period). The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

3. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

OTHER POST – EMPLOYMENT BENEFITS (OPEB) (Continued)

In December 2001, the Board adopted the Health Care “Choices” Plan. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

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.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

4. CHANGE IN CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2005 were as follows:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>(Reductions)</u>	Balance <u>June 30, 2005</u>
Governmental Activities				
<i>Capital Assets, not being Depreciated:</i>				
Land	\$ 322,500	\$ 0	\$ 0	\$ 322,500
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	3,022,500	0	0	3,022,500
Furniture and Equipment	<u>670,248</u>	<u>11,378</u>	<u>0</u>	<u>681,626</u>
<i>Total Capital Assets, being Depreciated</i>	<u>\$ 3,692,748</u>	<u>\$11,378</u>	<u>\$ 0</u>	<u>\$3,704,126</u>
Less: Accumulated Depreciation:				
Building & Improvements	(948,960)	(159,667)	0	(1,108,627)
Equipment	<u>(596,819)</u>	<u>(31,438)</u>	<u>0</u>	<u>(628,257)</u>
<i>Total Accumulated Depreciation</i>	<u>(1,545,779)</u>	<u>(191,105)</u>	<u>0</u>	<u>(1,736,884)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>2,146,969</u>	<u>(179,727)</u>	<u>0</u>	<u>1,967,242</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 2,469,469</u>	<u>\$ (179,727)</u>	<u>\$ 0</u>	<u>\$2,289,742</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 6,689
Transportation Planning	160,433
Air Quality Planning	6,670
Water Quality Planning	11,161
Other	<u>6,152</u>
Total Depreciation Expense	<u>\$ 191,105</u>

**NORTHEAST OHIO AREA WIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

5. COMPENSATED ABSENCES

In conformity with Government Accounting Standards Board (GASB) Statement No. 16, NOACA accrues all types of leave benefits as earned by its employees.

Employees of NOACA earn vacation leave, sick leave, and personal leave at various rates. Generally, employees accrue vacation leave at a rate of 3.7 hours every two weeks for the first five years of employment, up to a maximum rate of 7.4 hours every two weeks after 15 years of employment.

Employees may accrue a maximum of four years vacation leave credit. Any amounts that exceed a four-year accrual are paid to the employee through the annual conversion program at 100 percent of the employees' hourly rate. At termination or upon other separation from NOACA, employees are paid at their full rate for 100 percent of unused vacation leave.

SICK LEAVE: Sick leave for all full-time employees is accumulated at a rate of 4.6 hours every two weeks. Sick leave is cumulative. Employees may annually choose to cash in some or all of their sick time at the rate of one hour for every four, or 25 percent at current salary levels. All employees must keep 240 hours (6 weeks) sick leave as a minimum balance to participate in the program. Therefore, any sick leave balances that exceed 240 hours, but less than 960 hours can be converted to cash. If employees have a balance beyond 960 hours they will not lose it; it remains in their pool. At termination, retirement or death, employees may convert sick leave to cash at one hour for every four (25%) up to a maximum of 960 hours. (e.g., If you cash in the full 960 hours you will receive payment for 240 hours of work).

PERSONAL LEAVE: All full-time employees receive two personal leave days (16 hours) per fiscal year. The time must be used by the end of the year or it is lost. Unused personal leave is not paid at termination and is not cumulative. Therefore, these benefits are not accrued, but are recorded as an expenditure when employees use personal leave time.

The change in the long-term portion of accrued vacation and sick leave is itemized below:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>June 30, 2005</u>
Vacation	\$270,338	\$205,646	\$(189,819)	\$286,165
Sick	<u>231,430</u>	<u>92,431</u>	<u>(79,332)</u>	<u>244,529</u>
Total	<u>\$501,768</u>	<u>\$298,077</u>	<u>\$(269,151)</u>	<u>\$530,694</u>

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

6. INTERFUND RECEIVABLES/PAYABLES

Individual fund interfund receivables and payables as of June 30, 2005, are as follows:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
<u>Major Funds</u>		
General Fund	\$ 104,697	\$ 0
OCPG	0	25,683
Nonmajor Governmental	<u>4,165</u>	<u>83,179</u>
TOTAL	<u>\$ 108,862</u>	<u>\$108,862</u>

7. RISK MANAGEMENT

NOACA is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2005, NOACA contracted with CGU/Acuity Insurance Company for property insurance. Public Officials Liability coverage is provided by United National Insurance Company with a \$1.0 million aggregate limit. Public Employee Dishonesty coverage is provided by the Fidelity and Deposit Insurance Company with a \$500,000 limit per loss. Settled claims have not exceeded coverage for the past five years. There have been no significant reductions in insurance coverage from the prior year.

NOACA pays the Bureau of Worker's Compensation a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOACA provides health insurance to its full-time employees. Health insurance is provided through one of two plans: Kaiser, and Anthem Blue Cross/Blue Shield. Kaiser and Anthem Blue Cross/Blue Shield claims are the responsibility of and paid for by the respective carriers.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

8. CHANGE IN ACCOUNTING PRINCIPLE/BASIC FINANCIAL STATEMENT PRESENTATION

For fiscal year 2005, NOACA has implemented the following GASB Statement No. 40 “Deposit and Investment Risk Disclosures” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Technical Bulletin No. 2004-2 did not materially affect the presentation of the financial statements of NOACA.

9. CAPITAL LEASES – LESSEE DISCLOSURE

NOACA entered into a capital lease with the Cleveland-Cuyahoga County Port Authority (CCCPA) on March 1, 1998. The lease term is for a period of 20 years commencing on January 1, 1999, with an option to purchase the building at the completion of the lease on May 15, 2018, for \$1.00.

The lease provides that CCCPA will hold title to the building and lease it to NOACA under a financing lease structure. The bonds are a series of bonds of the CCCPA Bond Fund Program. The bond fund is currently rated “BBB+” by Fitch Investor Service.

Assets under the capital lease totaled \$3,345,000 at June 30, 2005. The following is a schedule of the future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2005.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

9. CAPITAL LEASES – LESSEE DISCLOSURE (Continued)

Fiscal Year Ending June 30,	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 145,833	\$ 143,352	\$289,185
2007	150,833	135,142	285,975
2008	160,833	126,633	287,466
2009	170,833	117,568	288,401
2010	180,833	107,976	288,809
2011-2015	1,054,168	377,625	1,431,793
2016-2018	<u>755,000</u>	<u>75,815</u>	<u>830,815</u>
Total	<u>\$2,618,333</u>	<u>\$ 1,084,111</u>	<u>\$3,702,444</u>

10. CHANGES IN LONG TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Amount Outstanding <u>June 30, 2004</u>	<u>Additions</u>	<u>(Reductions)</u>	Amount Outstanding <u>June 30, 2005</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Compensated Absences	\$ 501,768	\$ 298,077	\$ (269,151)	\$ 530,694	\$336,166
Capital Leases Payable	<u>2,754,166</u>	0	(135,833)	<u>2,618,333</u>	<u>145,833</u>
Total Government	<u>\$3,255,934</u>	<u>\$ 298,077</u>	<u>\$ (404,984)</u>	<u>\$3,149,027</u>	<u>\$481,999</u>

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**FEDERAL EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Grant Number	Federal CFDA Number	Disbursements
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Direct Program:</i>			
Public Access to Monitored AQ	Sec. 103 CCA	66.454	\$86,651
<i>Passed Through Ohio EPA:</i>			
Water Quality Management Planning	604(B) FY 2003	66.454	<u>152,971</u>
Total U.S. Environmental Protection Agency			<u>239,622</u>
<u>U.S. DEPARTMENT OF HIGHWAY PLANNING AND CONSTRUCTION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
FEDERAL HIGHWAY ADMINISTRATION			
Highway Planning and Construction Grant:			
Enhanced TLC	TLCI - '05	20.205	53,725
Regional Transportation Planning	Reg. Tran. Plan. - '05	20.205	186,010
Federal Aid Urban System	Rideshare - '05	20.205	350,000
FHWA/FTA Program	FY '05 OCPG	20.205	2,877,900
CMAQ	Ozone Action Day	20.205	34,900
Regional Pavement Management	Regional Pavement Mgmt.	20.205	73,319
State Highway Planning and Construction Grant	FY '05 SIP	20.205	<u>25,474</u>
Total Highway Planning and Construction Grant			<u>3,601,328</u>
Total Federal Highway Administration			<u>3,601,328</u>
Total Federal Expenditures			<u><u>\$3,840,950</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

BASIS OF PRESENTATION

The accompanying Federal Expenditures Schedule (the Schedule) reflects the expenditures of the Northeast Ohio Areawide Coordinating Agency under programs financed by the U.S. government for the year ended June 30, 2005. The schedule has been prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

MATCHING REQUIREMENTS

Certain Federal programs require that NOACA contribute non-Federal funds (matching funds) to support the Federally-funded programs. NOACA has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY

SCHEDULE OF FRINGE BENEFIT COST CHARGES, RATE BASE AND
PROVISIONAL RATE COMPUTATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FIXED RATE - FY 2005

LABOR BASE

\$2,054,793

FRINGE BENEFIT CATEGORY

Sick Leave	\$ 79,332
Bereavement	5,138
Holiday	96,356
Vacation	189,819
Personal Days	18,990
Jury/Military Leave	1,790
PERS	327,226
Worker's Compensation	2,612
Unemployment Compensation	850
Hospitalization	404,504
Staff Development	2,693
Transit Subsidy	4,298
Tuition/Reimbursement	4,712
Medicare	<u>22,791</u>

TOTAL FRINGE BENEFIT COSTS

\$1,161,111

Fringe Benefit Rate used by NOACA

56.51%

NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY

SCHEDULE OF INDIRECT COST CHARGES, RATE BASE AND
FIXED RATE COMPUTATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

DIRECT LABOR (SALARY AND FRINGES)

Air Quality	\$ 95,307
Water Quality (604(B) + local)	130,301
Transportation Programs	1,677,988
Rideshare Program	176,610
Local Activities	<u>41,308</u>
 Total Salary/Fringe Cost	 <u>\$2,121,514</u>

INDIRECT COST CATEGORY

Salaries/Fringes	\$1,094,390
Office/Utilities/Maint/Security	378,148
Telephone	13,847
Travel/Training	10,225
Supplies	23,180
Postage	9,631
Consultants	8,870
Software/Hardware	7,246
Meeting Expenses	40
NARC Dues	12,474
Audit Fees	16,253
Outside Reproduction	7,094
Depreciation	31,437
Advertising	1,184
Accounting Services	818
Insurance	26,314
Equipment Leasing	3,080
Maintenance Repair (Equipment)	23,930
Publications	<u>3,405</u>
 TOTAL	 <u>\$1,671,566</u>

Indirect Cost Rate Used by NOACA

78.79%



Auditor of State Betty Montgomery

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

Northeast Ohio Areawide Coordinating Agency
Cuyahoga County
1299 Superior Avenue
Cleveland, Ohio 44114-3204

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Northeast Ohio Areawide Coordinating Agency, Cuyahoga County, Ohio, (NOACA) as of and for the year ended June 30, 2005, which collectively comprise NOACA's basic financial statements and have issued our report thereon dated December 16, 2005. 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 NOACA's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether NOACA'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*.

Northeast Ohio Areawide Coordinating Agency
Cuyahoga County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, members of the Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 16, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Northeast Ohio Areawide Coordinating Agency
Cuyahoga County
1299 Superior Avenue
Cleveland, Ohio 44114-3204

To the Governing Board:

Compliance

We have audited the compliance of the Northeast Ohio Areawide Coordinating Agency, Cuyahoga County, Ohio, (NOACA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies NOACA's major federal program. NOACA's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on NOACA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about NOACA's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on NOACA's compliance with those requirements.

In our opinion, the Northeast Ohio Areawide Coordinating Agency, Cuyahoga County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

NOACA's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered NOACA's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, members of the Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 16, 2005

**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 20.205 – Highway Planning and Construction Grant
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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**NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
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
DECEMBER 30, 2005**