



Dave Yost • Auditor of State

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Westshore Council of Governments
Cuyahoga County
350 Dover Center Road
Bay Village, Ohio 44140

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the Westshore Council of Governments, Cuyahoga County, Ohio, (the Council), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Westshore Council of Governments, Cuyahoga County, Ohio, as of December 31, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during the year ended December 31, 2015, the Council adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2017, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 22, 2017

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The management's discussion and analysis of the Westshore Council of Government's (the "Council") financial performance provides an overall review of the Council's financial activities for the year ending December 31, 2015. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Total net position of the Council was \$977,447 at December 31, 2015. This was a decrease of \$527,385 or 35.05% from the balance at December 31, 2014 as restated in Note 11.
- The Council had operating revenues of \$464,322 and operating expenses of \$1,240,570 during 2015. The Council also had \$256,578 in federal, state and local grants, \$820 in interest revenue and \$236 in interest and fiscal charges during 2015.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Council, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about how the Council finances and meets the cash flow needs of its operations.

Reporting the Council Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2015?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Council's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the Council as a whole, the *financial position* of the Council has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report. The statement of cash flows can be found on page 11.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-25 of this report.

The RSI contains information regarding the Council's proportionate share of the Ohio Public Employees Retirement System's (OPERS) net pension liability and the Council's schedule of contributions to OPERS.

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

The table below provides a summary of the Council's net position at December 31, 2015 and December 31, 2014. The Council has restated certain balances for 2014 to reflect the implementation of GASB Statements 68 (see Note 11).

	Net Position	
	<u>2015</u>	Restated <u>2014</u>
<u>Assets</u>		
Current assets	\$ 946,424	\$ 1,404,099
Capital assets, net	<u>315,518</u>	<u>359,295</u>
Total assets	<u>1,261,942</u>	<u>1,763,394</u>
<u>Deferred outflows of resources</u>		
	<u>44,563</u>	<u>30,335</u>
<u>Liabilities</u>		
Current liabilities	75,370	45,343
Non-current liabilities	<u>249,183</u>	<u>243,554</u>
Total liabilities	<u>324,553</u>	<u>288,897</u>
<u>Deferred inflows of resources</u>		
	<u>4,505</u>	<u>-</u>
<u>Net Position</u>		
Net investment in capital assets	315,518	350,311
Unrestricted	<u>661,929</u>	<u>1,154,521</u>
Total net position	<u>\$ 977,447</u>	<u>\$ 1,504,832</u>

During 2015, the Council adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Council's actual financial condition by adding deferred inflows related to pension and the net pension asset/liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Council's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Council is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Council’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Council is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$1,718,051 to \$1,504,832.

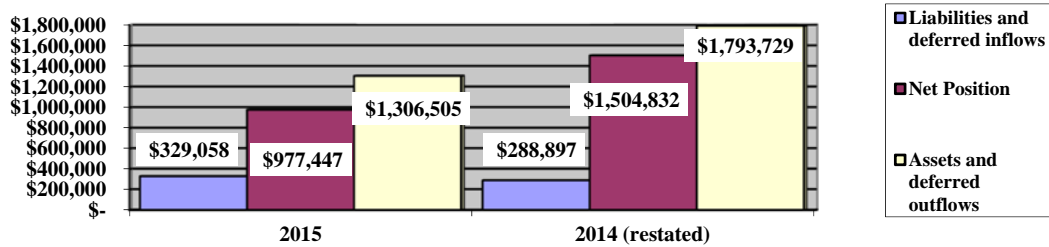
Over time, net position can serve as a useful indicator of a government’s financial position. At December 31, 2015, the Council’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$977,447. Of this total, \$661,929 is unrestricted.

At year-end, capital assets represented 25.00% of total assets. Capital assets consisted of equipment and vehicles. There is no debt related to these capital assets. Capital assets are used to provide services and are not available for future spending.

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The chart below illustrates the Council's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at December 31, 2015 and December 31, 2014. The net position at December 31, 2014 has been restated as described in Note 11.



The table below shows the changes in net position for 2015 and 2014. The net position at December 31, 2014 has been restated as described in Note 11.

Change in Net Position

	2015	2014
<u>Operating Revenues:</u>		
Member dues	\$ 333,170	\$ 333,169
Fines and forfeitures	118,296	1,038,857
Other operating revenues	12,856	19,670
Total operating revenue	<u>464,322</u>	<u>1,391,696</u>
<u>Operating Expenses:</u>		
Salaries and wages	279,860	245,056
Fringe benefits	52,943	57,324
Contractual services	102,779	83,722
Materials and supplies	138,220	110,848
Travel/transportation	28,694	38,958
Other	577,458	61,730
Depreciation	60,616	59,890
Total operating expenses	<u>1,240,570</u>	<u>657,528</u>
<u>Non-operating revenues (expenses):</u>		
Federal, State and local grants	256,578	298,688
Interest income	820	432
Interest and fiscal charges	(236)	(657)
Loss on disposal of capital assets	(8,299)	-
Total non-operating revenues (expenses)	<u>248,863</u>	<u>298,463</u>
Change in net position	(527,385)	1,032,631
Net position at the beginning of the year (restated)	<u>1,504,832</u>	N/A
Net position at the end of the year	<u>\$ 977,447</u>	<u>\$ 1,504,832</u>

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

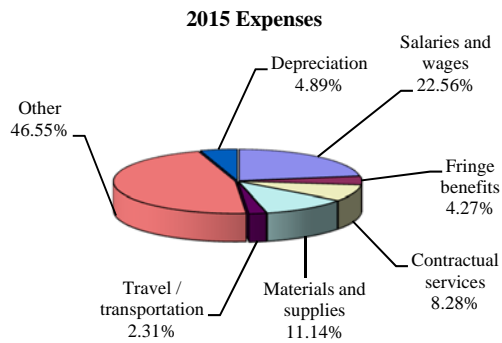
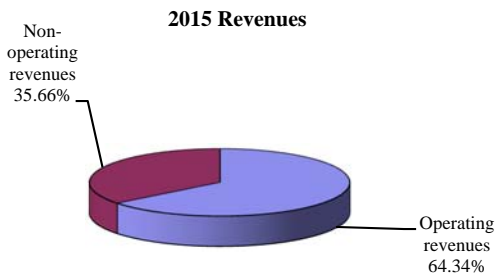
The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$30,335 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$27,173.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Business-Type Activities
Total 2015 program expenses under GASB 68	\$ 1,240,570
Pension expense under GASB 68	(27,173)
2015 contractually required contributions	31,267
Adjusted 2015 program expenses	1,244,664
Total 2014 program expenses under GASB 27	657,528
Increase in program expenses not related to pension	\$ 587,136

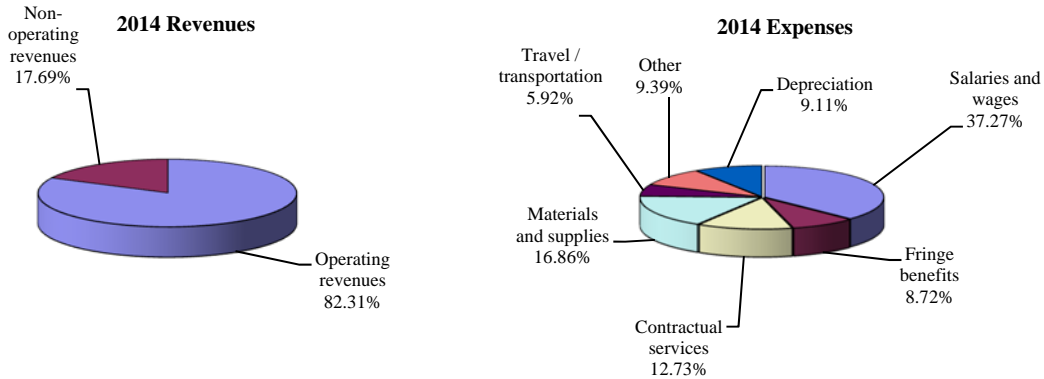
The primary operating revenues of the Council are member dues from the six member cities and fines and forfeiture revenues. These revenues account for 97.23% of total operating revenues. The large decrease in fines and forfeiture revenues was the result of the seizure of large amounts of drug raids during 2014. The largest expense of the Council is other expenses which accounts for 46.55% of operating expenses. These other expenses represent the sharing of fines and forfeitures with all the members of the COG resulting from a big case. The Council had three full time and three part employees during 2015.

The charts below illustrate the revenues and expenses for the Council for 2015 and 2014.



**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**



Capital Assets

At December 31, 2015, the Council had \$315,518 invested in equipment and vehicles. See Note 5 in the notes to the basic financial statements for more detail on capital assets.

**Capital Assets at December 31
(Net of Depreciation)**

	<u>2015</u>	<u>2014</u>
Equipment	\$ 70,112	\$ 75,676
Vehicles	<u>245,406</u>	<u>283,619</u>
Net Capital Assets	<u>\$ 315,518</u>	<u>\$ 359,295</u>

Long-Term Obligations

At December 31, 2015, the Council had no long-term obligations.

Current Financial Related Activities

The Council receives contributions from the Council of Bay Village, the Council of Fairview Park, the Council of Lakewood, the Council of North Olmsted, the Council of Rocky River and the Council of Westlake. The Council relies on member contributions to continue operations. It is the intent of the Council to apply for Federal, State and Local funds that are made available to finance its operations.

Contacting the Council's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Renee Mahoney, Fiscal Officer, Westshore Council of Governments, 350 Dover Center Road, Bay Village, Ohio 44140.

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2015

Assets:

Current assets:

Cash and cash equivalents	\$	804,659
Due from other governments		138,830
Prepayments.		2,935
Total current assets		946,424

Non-current assets:

Depreciable capital assets, net		315,518
Total non-current assets		315,518
Total assets.		1,261,942

Deferred outflows of resources:

Pension - OPERS.		44,563
Total deferred outflows of resources		44,563

Liabilities:

Current liabilities:

Accounts payable		9,112
Accrued wages and benefits		3,955
Compensated absences.		61,136
Due to other governments		826
Travel reimbursement payable		341
Total current liabilities		75,370

Non-current liabilities:

Net pension liability.		249,183
Total non-current liabilities		249,183
Total liabilities		324,553

Deferred inflows of resources:

Pension - OPERS.		4,505
Total deferred inflows of resources		4,505

Net position:

Investment in capital assets		315,518
Unrestricted		661,929
Total net position	\$	977,447

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

Operating revenues:	
Member dues	\$ 333,170
Fines and forfeitures	118,296
Other operating revenues	12,856
Total operating revenues	<u>464,322</u>
 Operating expenses:	
Salaries and wages.	279,860
Fringe benefits.	52,943
Contractual services	102,779
Materials and supplies	138,220
Travel/transportation	28,694
Other.	577,458
Depreciation	60,616
Total operating expenses.	<u>1,240,570</u>
 Operating loss.	 <u>(776,248)</u>
 Non-operating revenues (expenses):	
Federal, State and local grants	256,578
Interest revenue	820
Interest and fiscal charges	(236)
Loss on disposal of capital assets	(8,299)
Total nonoperating revenues (expenses)	<u>248,863</u>
 Change in net position	 (527,385)
 Net position at beginning of year (restated) .	 <u>1,504,832</u>
Net position at end of year.	<u>\$ 977,447</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities:	
Cash received from member dues	\$ 333,170
Cash received from fines and forfeitures	118,296
Cash received from other operations	12,856
Cash payments for salaries and wages.	(241,347)
Cash payments for fringe benefits	(56,791)
Cash payments to suppliers for goods and services . .	(100,779)
Cash payments for materials and supplies	(137,113)
Cash payments for travel/transportation	(28,777)
Cash payments for other expenses	(580,281)
Net cash used in operating activities.	<u>(680,766)</u>
Cash flows from noncapital financing activities:	
Cash received from federal, State and local grants . . .	<u>156,413</u>
Net cash provided by noncapital financing activities . . .	<u>156,413</u>
Cash flows from capital and related financing activities:	
Interest and fiscal charges	(236)
Principal retirement on capital lease	(8,984)
Acquisition of capital assets	<u>(25,138)</u>
Net cash used in capital and related financing activities.	<u>(34,358)</u>
Cash flows from investing activities:	
Interest received	<u>820</u>
Net cash provided by investing activities	<u>820</u>
Net decrease in cash and cash equivalents.	(557,891)
Cash and cash equivalents at beginning of year	<u>1,362,550</u>
Cash and cash equivalents at end of year	<u><u>\$ 804,659</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (776,248)
Adjustments:	
Depreciation	60,616
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Prepayments	(51)
Deferred outflows - pension - OPERS	(14,228)
Accounts payable.	4,036
Accrued wages and benefits	1,188
Due to other governments.	(9,089)
Compensated absences payable	42,959
Travel reimbursement payable	(83)
Net pension liability	5,629
Deferred inflows - pension- OPERS.	<u>4,505</u>
Net cash used in operating activities	<u><u>\$ (680,766)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Westshore Council of Governments, Cuyahoga County, Ohio, (the "Council") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council operates under the direction of a six-member Council of Mayors and a six-member Council of Police Chiefs. The Council of Police Chiefs provides its member communities with the enforcement against illegal drug activity in the western part of Cuyahoga County.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Council's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Council are not misleading. The Council has no component units and no other governmental organizations other than the Council itself are included in the financial reporting entity.

B. Fund Accounting

The Council maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

C. Basis of Presentation

The Council's basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows. The Council uses a single enterprise fund to maintain its financial records during the year.

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. For financial statement presentation purposes, the Council utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred. Revenues received in advance are unearned and recognized as earned over the period to which they relate.

The Council's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the Council's operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Council finances and meets the cash flows of its enterprise activity.

The Council distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from dues assessed to member cities. Operating expenses for the Council include the cost of providing these services, including administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues include grants and interest earnings.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Council, See Note 8 for deferred outflows of resources related the Council's net pension liability.

In addition to liabilities, the government-wide statement of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Council, See Note 8 for deferred inflows of resources related to the Council's net pension liability.

E. Cash and Investments

All cash the Council receives is maintained in demand deposit accounts. For purposes of the statement of cash flows and for reporting on the statement of net position, investments with original maturities of three months or less at the time they are purchased by the Council are considered to be "cash equivalents". Investments with an initial maturity of more than three months are considered to be "investments".

An analysis of the Council's cash and investments at fiscal year-end is provided in Note 3.

F. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net position using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Council applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Budgetary Process

The Ohio Revised Code does not require the Council to budget annually. However, the management prepares a budget for internal monitoring. Budgetary basis expenditures include outstanding year end encumbrances. A summary of current year budgetary activity appears in Note 10.

I. Intergovernmental Revenue

The Council currently receives nonoperating grants through the Edward Byrne Memorial Justice Assistance Grant, the Ohio Drug Law Enforcement Fund, the National Association of Drug Diversion Investigators (NADDI) and the Cuyahoga County HazMat Grant. Revenues from these grants are recognized as nonoperating revenue in the accounting period in which it is earned, essentially the same as the fiscal year.

J. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value as of the date received. The Council maintains a capitalization threshold of \$5,000. The Council does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of equipment and vehicles is computed using the straight-line method over estimated useful lives of three to thirty years.

K. Compensated Absences

Council employees are entitled to sick leave, vacation leave and compensatory time each year. Employees are permitted to carry over unused sick leave and compensatory time but there is no payment for unused sick leave and compensatory time at year end. Employee's vacation balances can be carried over until their specific anniversary date. A liability for unused vacation time and sick leave up to 40% of the employee's unused balance exists at year end.

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Cash on Hand

At year end, the Council had \$3,500 in undeposited cash on hand, which is included on the statement of net position of the Council as part of "cash and cash equivalents".

B. Deposits with Financial Institutions

At December 31, 2015, the carrying amount of all Council deposits was \$801,159. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2015, \$345,975 of the Council's bank balance of \$850,845 was exposed to custodial credit risk as discussed below while \$504,870 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the Council's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Council. The Council has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Council to a successful claim by the FDIC.

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2015:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 801,159
Cash on hand	3,500
Total	<u>\$ 804,659</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Business-type activities	<u>\$ 804,659</u>

NOTE 4 - RISK MANAGEMENT

Commercial Insurance

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, the Council contracted with St. Paul/Travelers and AAIC for their insurance.

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - RISK MANAGEMENT - (Continued)

The types and amounts of coverage are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>
Excess liability	\$ 5,000,000
Commercial general liability - each occurrence	1,000,000
Commercial general liability - aggregate	2,000,000
Automobile liability	1,000,000
Worker's compensation and employer's liability	1,000,000
Public official liability	1,000,000
Police liability	1,000,000
HazMat - each occurrence	1,000,000
HazMat - aggregate	2,000,000

Settled claims have not exceeded commercial insurance coverage in any of the past three years and there was no significant change in insurance coverage from the prior year.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

A summary of the Council's capital assets at December 31, 2015, follows.

	<u>Balance 12/31/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/15</u>
<i>Capital assets, being depreciated</i>				
Equipment	\$ 97,986	\$ 5,023	\$ -	\$ 103,009
Vehicles	<u>626,237</u>	<u>20,115</u>	<u>(23,236)</u>	<u>623,116</u>
<i>Total capital assets, being depreciated</i>	<u>724,223</u>	<u>25,138</u>	<u>(23,236)</u>	<u>726,125</u>
<i>Less: Accumulated Depreciation</i>				
Equipment	(22,310)	(10,587)	-	(32,897)
Vehicles	<u>(342,618)</u>	<u>(50,029)</u>	<u>14,937</u>	<u>(377,710)</u>
<i>Total accumulated depreciation</i>	<u>(364,928)</u>	<u>(60,616)</u>	<u>14,937</u>	<u>(410,607)</u>
<i>Net Capital Assets</i>	<u>\$ 359,295</u>	<u>\$ (35,478)</u>	<u>\$ (8,299)</u>	<u>\$ 315,518</u>

NOTE 6 - RECEIVABLES

At year end, the Council had \$138,830 in due from other governments related to the Justice Assistance Grant and the Ohio Drug Law Enforcement Fund. This amount is expected to be received in the subsequent year.

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in the Council's long-term obligations during 2015 were as follows. The long-term obligations at December 31, 2014 have been restated as described in Note 11.

	Restated Balance			Balance	Due Within
	<u>12/31/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2015</u>	<u>One Year</u>
Capital lease obligation	\$ 8,984	\$ -	\$ (8,984)	\$ -	\$ -
Compensated absences	18,177	61,136	(18,177)	61,136	61,136
Net pension liability	<u>243,554</u>	<u>5,629</u>	<u>-</u>	<u>249,183</u>	<u>-</u>
Total long-term liabilities	<u>\$ 270,715</u>	<u>\$ 66,765</u>	<u>\$ (27,161)</u>	<u>\$ 310,319</u>	<u>\$ 61,136</u>

The entire balance of the compensated absences liability is due within one year and thus will be reported as a current liability on the statement of net position.

Capital Lease - Lessee Disclosure

In a prior fiscal year, the Council entered into a capital lease agreement for the acquisition of a truck.

This lease meets the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital assets, acquired by lease, have been capitalized in the amount of \$24,945. This amount is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded. Accumulated depreciation on the vehicle totaled \$8,731 leaving a current book value of \$16,214.

The final lease payment of \$8,984 was made in 2015 leaving no capital lease liability as of December 31, 2015.

Net pension liability - See Note 8 for details.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Council's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code limits the Council's obligation for this liability to annually required payments. The Council cannot control benefit terms or the manner in which pensions are financed; however, the Council does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Council employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Council employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**WESTSHORE COUNCIL OF GOVERNMENTS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates		
Employer	14.0 %	18.1 %
Employee	10.0 %	12.0 %
2015 Actual Contribution Rates		
Employer:		
Pension	12.0 %	16.1 %
Post-employment Health Care Benefits	2.0 %	2.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.1 %</u>

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Council's contractually required contribution for the Traditional Pension Plan was \$31,267 for 2015. Of this amount, \$554 is reported as due to other governments.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS Traditional Pension Plan was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's proportion of the net pension liability or asset was based on the Council's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>
Proportionate share of the net pension liability	\$ 249,183
Proportion of the net pension liability	0.00206600%
Pension expense	\$ 27,173

At December 31, 2015, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>
Deferred outflows of resources	
Net difference between projected and actual earnings on pension plan investments	\$ 13,296
Council contributions subsequent to the measurement date	<u>31,267</u>
Total deferred outflows of resources	<u><u>\$ 44,563</u></u>
Deferred inflows of resources	
Differences between expected and actual experience	4,378
Difference between employer contributions and proportionate share of contributions	<u>127</u>
Total deferred inflows of resources	<u><u>\$ 4,505</u></u>

\$31,267 reported as deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

		<u>OPERS</u>	
Year Ending December 31:			
2016	\$	1,245	
2017		1,245	
2018		2,977	
2019		3,324	
Total	<u>\$</u>	<u>8,791</u>	

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**WESTSHORE COUNCIL OF GOVERNMENTS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Council's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the Council's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Council's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 458,425	\$ 249,183	\$ 72,950

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - POSTRETIREMENT BENEFIT PLANS

Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015, local government employers contributed 14.00% of covered payroll for regular employees and 18.10% for law enforcement employees. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Council's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$4,857, \$5,036, and \$3,826, respectively; 98.47% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

**WESTSHORE COUNCIL OF GOVERNMENTS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - BUDGETARY ACTIVITY

While reporting financial position, results of operations, and changes in net position on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash disbursements plus outstanding encumbrances at year end.

Budgetary activity for the year ended December 31, 2015 is as follows:

<u>2015 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Enterprise	\$ 1,717,164	\$ 992,498	\$ 724,666

NOTE 11 - ACCOUNTABILITY AND COMPLIANCE

For 2015, the Council implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the Council's pension plan disclosures, as presented in Note 8 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The business-type activities at December 31, 2014 have been restated as follows:

	<u>Business-type Activities</u>
Net position as previously reported	\$ 1,718,051
Deferred outflows - payments subsequent to measurement date	30,335
Net pension liability	<u>(243,554)</u>
Restated net position at January 1, 2015	<u>\$ 1,504,832</u>

Other than employer contributions subsequent to the measurement date, the Council made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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REQUIRED SUPPLEMENTARY INFORMATION

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**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	2015	2014
<i>Traditional Plan:</i>		
Council's proportion of the net pension liability	0.002066%	0.002066%
Council's proportionate share of the net pension liability	\$ 249,183	\$ 243,554
Council's covered-employee payroll	\$ 237,549	\$ 230,857
Council's proportionate share of the net pension liability as a percentage of its covered-employee payroll	104.90%	105.50%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%

Note: Information prior to 2014 was unavailable.

Amounts presented as of the Council's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNCIL CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST EIGHT YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 31,267	\$ 30,335	\$ 30,568	\$ 23,452
Contributions in relation to the contractually required contribution	<u>(31,267)</u>	<u>(30,335)</u>	<u>(30,568)</u>	<u>(23,452)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 242,849	\$ 237,549	\$ 230,857	\$ 212,419
Contributions as a percentage of covered-employee payroll	12.88%	12.77%	13.24%	11.04%

Note: Information prior to 2008 for the Traditional Plan was unavailable. Separation of Traditional and Law Enforcement was not available for 2011-2008; therefore, this contribution as a percentage is based on the Traditional Plan's rate only.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 30,651	\$ 19,951	\$ 16,283	\$ 14,955
<u>(30,651)</u>	<u>(19,951)</u>	<u>(16,283)</u>	<u>(14,955)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 306,510	\$ 223,750	\$ 200,406	\$ 213,643
10.00%	8.92%	8.13%	7.00%

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Dave Yost • Auditor of State

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

Westshore Council of Governments
Cuyahoga County
350 Dover Center Road
Bay Village, Ohio 44140

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Westshore Council of Governments, Cuyahoga County, Ohio (the Council) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated February 22, 2017, wherein we noted the Council adopted Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Council's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Council'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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 22, 2017



Dave Yost • Auditor of State

WESTSHORE COUNCIL OF GOVERNMENT

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
MARCH 9, 2017**