



Dave Yost • Auditor of State

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We have audited the accompanying basic financial statements of the Westshore Council of Governments, Cuyahoga County, Ohio (the Council), as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion 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 financial position of the Westshore Council of Governments, Cuyahoga County, Ohio, as of December 31, 2011 and 2010, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements for the year ended December 31, 2010, the Council presented its financial statements in accordance with Generally Accepted Accounting Principles for the first time for the year ended December 31, 2010. This change in accounting principal required adjustments to be recorded at December 31, 2009 to the fund cash balance previously reported.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2012, 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. 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

Dave Yost
Auditor of State

September 19, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2011. 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 2011 are as follows:

- Total net assets of the Council were \$658,594 at December 31, 2011. This was an increase of \$30,184 or 4.80% from the balance at December 31, 2010.
- The Council had operating revenues of \$368,243 and operating expenses of \$605,167 during 2011. The Council also had \$266,993 in Federal, State and local grants and \$115 in interest revenue during 2011.

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 assets* and *statement of revenues, expenses and changes in net assets* 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 Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2011?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, 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 assets* and changes in those assets. This change in net assets 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 7 and 8 of this report. The statement of cash flows can be found on page 9.

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 11-18 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

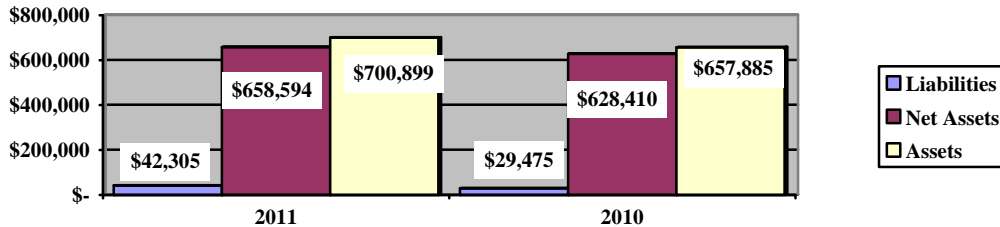
The table below provides a summary of the Council's net assets at December 31, 2011 and December 31, 2010.

	2011	2010
<u>Assets</u>		
Current assets	\$ 280,962	\$ 232,262
Capital assets, net	419,937	425,623
Total assets	700,899	657,885
<u>Liabilities</u>		
Current liabilities	42,305	29,475
Total liabilities	42,305	29,475
<u>Net Assets</u>		
Invested in capital assets	419,937	425,623
Unrestricted	238,657	202,787
Total net assets	\$ 658,594	\$ 628,410

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the Council's assets exceeded liabilities by \$658,594. Of this total, \$238,657 is unrestricted.

At year-end, capital assets represented 59.91% 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.

The chart below illustrates the Council's assets, liabilities and net assets at December 31, 2011 and December 31, 2010.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

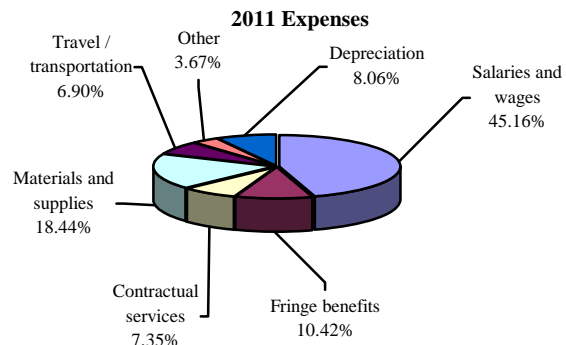
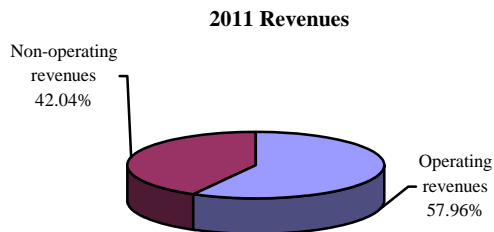
The table below shows the changes in net assets for 2011 and 2010.

Change in Net Assets

	<u>2011</u>	<u>2010</u>
<u>Operating Revenues:</u>		
Member dues	\$ 305,900	\$ 305,902
Fines and forfeitures	24,406	9,640
Other operating revenues	<u>37,937</u>	<u>31,952</u>
Total operating revenue	<u>368,243</u>	<u>347,494</u>
<u>Operating Expenses:</u>		
Salaries and wages	273,290	215,258
Fringe benefits	63,048	42,986
Contractual services	44,478	56,940
Materials and supplies	111,582	95,080
Travel/transportation	41,767	38,027
Other	22,255	71,913
Depreciation	<u>48,747</u>	<u>39,262</u>
Total operating expenses	<u>605,167</u>	<u>559,466</u>
<u>Non-operating revenues:</u>		
Federal, State and local grants	266,993	282,403
Interest income	<u>115</u>	<u>164</u>
Total non-operating revenues	<u>267,108</u>	<u>282,567</u>
Change in net assets	30,184	70,595
Net assets at the beginning of the year	<u>628,410</u>	<u>557,815</u>
Net assets at the end of the year	<u>\$ 658,594</u>	<u>\$ 628,410</u>

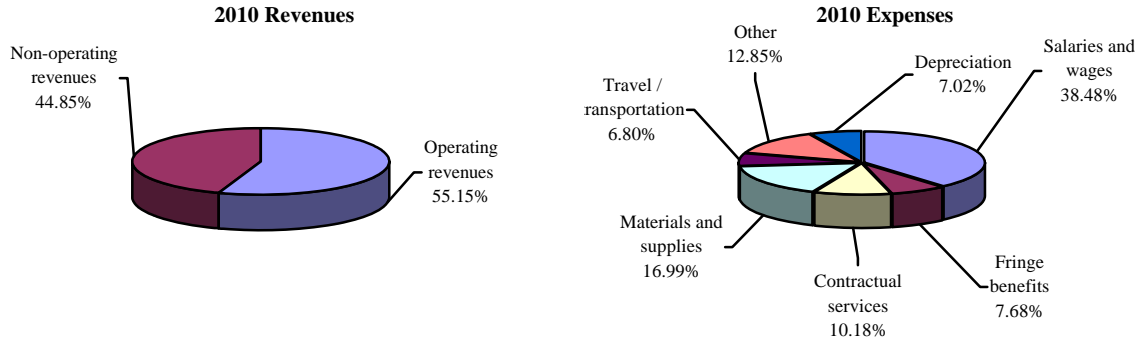
The primary operating revenues of the Council are member dues from the six member cities. These revenues account for 83.07% of total operating revenues. The largest expense of the Council is salaries and wages which accounts for 45.16% of expenses. The Council had four full time and two part employees during 2011.

The charts below illustrate the revenues and expenses for the Council for 2011 and 2010.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**



Capital Assets

At December 31, 2011, the Council had \$419,937 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>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Equipment	\$ 3,778	\$ 4,389
Vehicles	<u>416,159</u>	<u>421,234</u>
Net Capital Assets	<u>\$ 419,937</u>	<u>\$ 425,623</u>

Current Financial Related Activities

The Council receives contributions from the City of Bay Village, the City of Fairview Park, the City of Lakewood, the City of North Olmsted, the City of Rocky River and the City 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 Mr. Steven Presley, Fiscal Officer, Westshore Council of Governments, 350 Dover Center Road, Bay Village, Ohio 44140.

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

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Assets:

Current assets:

Cash and cash equivalents	\$	274,822
Due from other governments		3,353
Prepayments.		2,787
		280,962
Total current assets		280,962

Non-current assets:

Depreciable capital assets, net		419,937
		419,937
Total non-current assets		419,937
Total assets.		700,899

Liabilities:

Current liabilities:

Accounts payable		8,893
Compensated absences.		19,681
Due to other governments		11,534
Utilities payable		1,528
Travel reimbursement payable		669
		42,305
Total liabilities		42,305

Net assets:

Invested in capital assets		419,937
Unrestricted		238,657
		658,594
Total net assets	\$	658,594

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER, 2011

Operating revenues:	
Member dues	\$ 305,900
Fines and forfeitures	24,406
Other operating revenues	37,937
Total operating revenues	<u>368,243</u>
 Operating expenses:	
Salaries and wages.	273,290
Fringe benefits.	63,048
Contractual services	44,478
Materials and supplies	111,582
Travel/transportation	41,767
Other.	22,255
Depreciation	48,747
Total operating expenses.	<u>605,167</u>
 Operating loss	 <u>(236,924)</u>
 Non-operating revenues:	
Federal, State and local grants	266,993
Interest revenue	115
Total nonoperating revenues	<u>267,108</u>
 Change in net assets.	 30,184
 Net assets at beginning of year	 <u>628,410</u>
Net assets at end of year.	<u><u>\$ 658,594</u></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, 2011

Cash flows from operating activities:	
Cash received from member dues	\$ 305,900
Cash received from fines and forfeitures	24,406
Cash received from other operations	37,937
Cash payments for salaries and wages.	(267,817)
Cash payments for fringe benefits	(61,472)
Cash payments to suppliers for goods and services . .	(46,085)
Cash payments for materials and supplies	(103,066)
Cash payments for travel/transportation	(43,421)
Cash payments for other expenses	(22,255)
	(175,873)
Net cash used in operating activities	(175,873)
Cash flows from noncapital financing activities:	
Cash received from federal, State and local grants . . .	279,276
	279,276
Net cash provided by noncapital financing activities.	279,276
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(43,061)
	(43,061)
Net cash used in capital and related financing activities.	(43,061)
Cash flows from investing activities:	
Interest received	115
	115
Net cash provided by investing activities	115
Net increase in cash and cash cash equivalents	60,457
Cash and cash equivalents at beginning of year . . .	214,365
Cash and cash equivalents at end of year	\$ 274,822
	274,822
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (236,924)
Adjustments:	
Depreciation	48,747
Changes in assets and liabilities:	
(Increase) in prepayments	(526)
Increase in accounts payable.	8,440
(Decrease) in accrued wages and benefits	(1,101)
Increase in due to other governments	2,292
Increase in compensated absences payable	5,858
(Decrease) in utilities payable	(235)
(Decrease) in travel reimbursement payable	(1,340)
(Decrease) in contracts payable.	(1,084)
	(1,084)
Net cash used in operating activities	\$ (175,873)

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, 2011

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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided it does not conflict with or contradict GASB pronouncements.

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". 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 assets, a statement of revenue, expenses and changes in net assets, 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, 2011

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 and all liabilities associated with the Council's operations are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets 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.

E. Cash and Investments

All cash the Council receives is maintained at a central bank. For purposes of the statement of cash flows and for reporting on the statement of net assets, 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 assets 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.

G. Net Assets

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

The Council applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are 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 American Recovery & Reimbursement Act, 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 exists at year end.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 assets of the Council as part of “cash and cash equivalents”.

B. Deposits with Financial Institutions

At December 31, 2011, the carrying amount of all Council deposits was \$271,322. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2011, \$32,216 of the Council’s bank balance of \$282,216 was exposed to custodial credit risk as discussed below while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk: 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 investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

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 assets as of December 31, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 271,322
Cash on hand	3,500
Total	<u>\$ 274,822</u>
<u>Cash and investments per financial statements</u>	
Business-type activities	<u>\$ 274,822</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 2011, the Council contracted with St. Paul/Travelers and AAIC for their insurance.

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	3,000,000
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, 2011, follows.

	<u>Balance</u> <u>12/31/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/11</u>
<i>Capital assets, being depreciated</i>				
Equipment	\$ 15,839	\$ -	\$ -	\$ 15,839
Vehicles	<u>560,731</u>	<u>43,061</u>	<u>-</u>	<u>603,792</u>
<i>Total capital assets, being depreciated</i>	<u>576,570</u>	<u>43,061</u>	<u>-</u>	<u>619,631</u>
<i>Less: Accumulated Depreciation</i>				
Equipment	(11,450)	(611)	-	(12,061)
Vehicles	<u>(139,497)</u>	<u>(48,136)</u>	<u>-</u>	<u>(187,633)</u>
<i>Total accumulated depreciation</i>	<u>(150,947)</u>	<u>(48,747)</u>	<u>-</u>	<u>(199,694)</u>
<i>Net Capital Assets</i>	<u>\$ 425,623</u>	<u>\$ (5,686)</u>	<u>\$ -</u>	<u>\$ 419,937</u>

NOTE 6 - RECEIVABLES

At year end, the Council had \$3,353 in due from other governments related to the Cuyahoga County HazMat grant. 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, 2011

NOTE 7 – COMPENSATED ABSENCES

Changes in the Council’s obligations for compensated absences during 2011 were as follows:

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 13,823	\$ 19,681	\$ (13,823)	\$ 19,681	\$ 19,681

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 assets.

NOTE 8 - PENSION PLANS

Ohio Public Employees Retirement System

Plan Description - The Council participates 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 in which the member invests both member and employer contributions (employer contributions vest over five 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 Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2011 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.00% and 11.60%, respectively. The Council’s contribution rate for 2011 was 14.00%, except for those plan members in law enforcement or public safety, for whom the Council’s contribution was 18.10% of covered payroll.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - PENSION PLANS – (Continued)

The Council's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The Council's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The Council's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$30,651, \$19,951, and \$16,283, respectively; 88.88% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

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 and the Combined Plans. 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/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (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 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). 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 for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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, 2011, 2010, and 2009 were \$12,261, \$11,374, and \$11,774, respectively; 88.88% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10 - BUDGETARY ACTIVITY

While reporting financial position, results of operations, and changes in net assets 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, 2011 is as follows:

<u>2011 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Enterprise	<u>\$ 605,725</u>	<u>\$ 595,747</u>	<u>\$ 9,978</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010. 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 2010 are as follows:

- For 2010, the Council presented for the first time its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). The effects of applying GAAP to the fund cash balance reported by the Council at December 31, 2009 are described in Note 3 to the basic financial statements.
- Total net assets of the Council were \$628,410 at December 31, 2010. This was an increase of \$70,595 or 12.66% from the restated balance at December 31, 2009.
- The Council had operating revenues of \$347,494 and operating expenses of \$559,466 during 2010. The Council also had \$282,403 in Federal, State and local grants and \$164 in interest revenue during 2010.

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 assets* and *statement of revenues, expenses and changes in net assets* 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 Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2010?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, 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 assets* and changes in those assets. This change in net assets 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 23 and 24 of this report. The statement of cash flows can be found on page 25.

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 27-34 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

This is the Council's first year for financial statements using the accrual basis of accounting, therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior information is available.

The table below provides a summary of the Council's net assets at December 31, 2010.

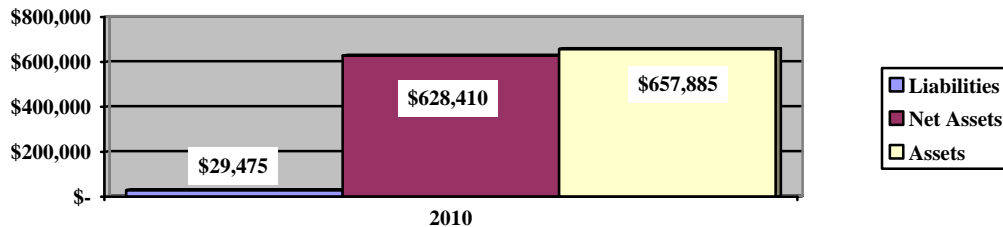
Net Assets	
	2010
<u>Assets</u>	
Current assets	\$ 232,262
Capital assets, net	425,623
Total assets	657,885
<u>Liabilities</u>	
Current liabilities	29,475
Total liabilities	29,475
<u>Net Assets</u>	
Invested in capital assets	425,623
Unrestricted	202,787
Total net assets	\$ 628,410

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the Council's assets exceeded liabilities by \$628,410. Of this total, \$202,787 is unrestricted.

At year-end, capital assets represented 64.70% 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.

This is the Council's first year for financial statements using the accrual basis of accounting, therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior information is available.

The chart below illustrates the Council's assets, liabilities and net assets at December 31, 2010.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

This is the Council's first year for financial statements using the accrual basis of accounting, therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior information is available. The table below shows the changes in net assets for 2010.

Change in Net Assets

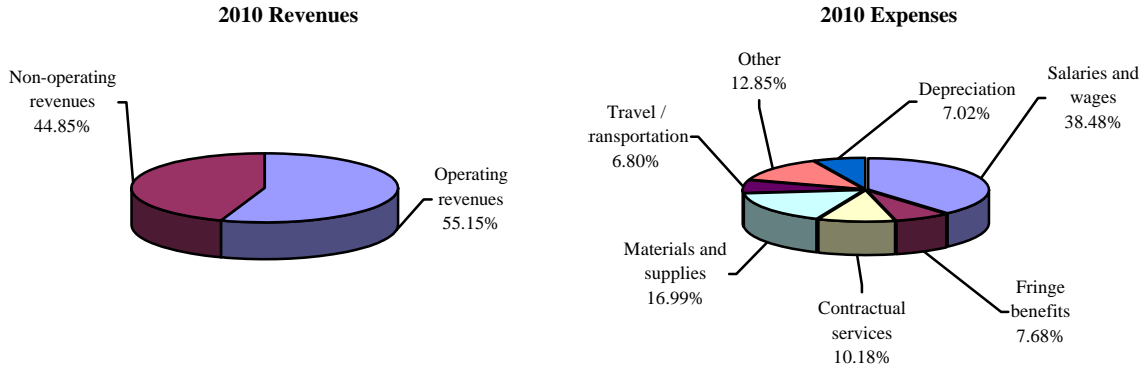
	<u>2010</u>
<u>Operating Revenues:</u>	
Member dues	\$ 305,902
Fines and forfeitures	9,640
Other operating revenues	<u>31,952</u>
Total operating revenue	<u>347,494</u>
<u>Operating Expenses:</u>	
Salaries and wages	215,258
Fringe benefits	42,986
Contractual services	56,940
Materials and supplies	95,080
Travel/transportation	38,027
Other	71,913
Depreciation	<u>39,262</u>
Total operating expenses	<u>559,466</u>
<u>Non-operating revenues:</u>	
Federal, State and local grants	282,403
Interest income	<u>164</u>
Total non-operating revenues	<u>282,567</u>
Change in net assets	70,595
Net assets at the beginning of the year (restated)	<u>557,815</u>
Net assets at the end of the year	<u><u>\$ 628,410</u></u>

The primary operating revenues of the Council are member dues from the six member cities. These revenues account for 88.03% of total operating revenues. The largest expense of the Council is salaries and wages which accounts for 38.48% of expenses. The Council had four full time and two part employees during 2010.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

The charts below illustrate the revenues and expenses for the Council for 2011.



Capital Assets

At December 31, 2010, the Council had \$425,623 invested in equipment and vehicles. See Note 6 in the notes to the basic financial statements for more detail on capital assets.

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

	Governmental Activities	
	2010	2009
Equipment	\$ 4,389	\$ 4,999
Vehicles	421,234	368,743
Net Capital Assets	<u>\$ 425,623</u>	<u>\$ 373,742</u>

Current Financial Related Activities

The Council receives contributions from the City of Bay Village, the City of Fairview Park, the City of Lakewood, the City of North Olmsted, the City of Rocky River and the City 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 Mr. Steven Presley, Fiscal Officer, Westshore Council of Governments, 350 Dover Center Road, Bay Village, Ohio 44140.

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

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

Assets:

Current assets:

Cash and cash equivalents	\$	214,365
Due from other governments		15,636
Prepayments.		2,261
		232,262
Total current assets		232,262

Non-current assets:

Depreciable capital assets, net		425,623
		425,623
Total non-current assets		425,623
Total assets.		657,885

Liabilities:

Current liabilities:

Accounts payable		453
Accrued wages and benefits		1,101
Compensated absences.		13,823
Due to other governments		9,242
Utilities payable		1,763
Travel reimbursement payable		2,009
Capital leases payable		1,084
		29,475
Total current liabilities		29,475
Total liabilities		29,475

Net assets:

Invested in capital assets		425,623
Unrestricted		202,787
		628,410
Total net assets	\$	628,410

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER, 2010

Operating revenues:	
Member dues	\$ 305,902
Fines and forfeitures	9,640
Other operating revenues	31,952
Total operating revenues	<u>347,494</u>
 Operating expenses:	
Salaries and wages.	215,258
Fringe benefits.	42,986
Contractual services	56,940
Materials and supplies	95,080
Travel/transportation	38,027
Other.	71,913
Depreciation	39,262
Total operating expenses.	<u>559,466</u>
 Operating loss	 <u>(211,972)</u>
 Non-operating revenues:	
Federal, State and local grants	282,403
Interest revenue	164
Total nonoperating revenues	<u>282,567</u>
 Change in net assets.	 70,595
 Net assets at beginning of year (restated) . .	 <u>557,815</u>
Net assets at end of year.	<u>\$ 628,410</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, 2010

Cash flows from operating activities:	
Cash received from member dues	\$ 305,902
Cash received from fines and forfeitures	9,640
Cash received from other operations	31,952
Cash payments for salaries and wages.	(213,395)
Cash payments for fringe benefits	(42,457)
Cash payments to suppliers for goods and services . .	(54,295)
Cash payments for materials and supplies	(94,687)
Cash payments for travel/transportation	(35,348)
Cash payments for other expenses	(151,586)
	(244,274)
Net cash used in operating activities	
	(244,274)
Cash flows from noncapital financing activities:	
Cash received from federal, State and local grants . . .	266,767
	266,767
Net cash provided by noncapital financing activities.	
	266,767
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(91,143)
	(91,143)
Net cash used in capital and related financing activities.	
	(91,143)
Cash flows from investing activities:	
Interest received	164
	164
Net cash provided by investing activities	
	164
Net increase in cash and cash equivalents	
	(68,486)
Cash and cash equivalents at beginning of year	
	282,851
Cash and cash equivalents at end of year	
	\$ 214,365
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (211,972)
Adjustments:	
Depreciation	39,262
Changes in assets and liabilities:	
Decrease in prepayments.	465
(Decrease) in accounts payable.	(79,277)
(Decrease) in accrued wages and benefits	(5,468)
Increase in due to other governments	5,611
Increase in compensated absences payable	2,249
Increase in utilities payable	1,763
Increase in travel reimbursement payable	2,009
Increase in contracts payable.	1,084
	1,084
Net cash used in operating activities	
	\$ (244,274)

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, 2010

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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided it does not conflict with or contradict GASB pronouncements.

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". 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 assets, a statement of revenue, expenses and changes in net assets, 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, 2010

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 and all liabilities associated with the Council's operations are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets 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.

E. Cash and Investments

All cash the Council receives is maintained at a central bank. For purposes of the statement of cash flows and for reporting on the statement of net assets, 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 4.

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 assets 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.

G. Net Assets

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

The Council applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are 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 American Recovery & Reimbursement Act, 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 exists at year end.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles and Presentation

For the year ended December 31, 2010, the Council has presented for the first time its basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). In conjunction with this presentation, the Council has converted its financial records to the accrual basis of accounting. This conversion required certain adjustments be recorded at December 31, 2009 to the fund cash balance as previously reported to reflect the prior year's effect of adopting these new accounting principles.

The restatement to the December 31, 2009 net cash assets for the enterprise fund follow:

	Total
Net cash assets, December 31, 2009	\$ 282,851
Accrual basis adjustments:	
Capital assets, net	373,742
Prepayments	2,726
Accounts payable	(79,730)
Accrued wages and benefits payable	(6,569)
Compensated absences	(11,574)
Due to other governments	(3,631)
Restated net assets, January 1, 2010	\$ 557,815

In addition, for the year ended December 31, 2010, the Council has classified its fund as an enterprise fund, as opposed to a general fund within governmental activities.

NOTE 4 - 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 assets of the Council as part of "cash and cash equivalents".

B. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all Council deposits was \$210,865. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, all of the Council's bank balance \$228,888 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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

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 assets as of December 31, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 210,865
Cash on hand	3,500
Total	\$ 214,365
<u>Cash and investments per financial statements</u>	
Business-type activities	\$ 214,365

NOTE 5 - 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 2010, the Council contracted with St. Paul/Travelers and AAIC for their insurance.

The types and amounts of coverage are as follows:

Type of Coverage	Coverage
Excess liability	\$ 5,000,000
Commercial general liability - each occurrence	1,000,000
Commercial general liability - aggregate	3,000,000
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

A summary of the Council's capital assets at December 31, 2010, follows.

	Balance <u>12/31/09</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/10</u>
<i>Capital assets, being depreciated</i>				
Equipment	\$ 15,839	\$ -	\$ -	\$ 15,839
Vehicles	<u>469,588</u>	<u>91,143</u>	<u>-</u>	<u>560,731</u>
<i>Total capital assets, being depreciated</i>	<u>485,427</u>	<u>91,143</u>	<u>-</u>	<u>576,570</u>
<i>Less: Accumulated Depreciation</i>				
Equipment	(10,840)	(610)	-	(11,450)
Vehicles	<u>(100,845)</u>	<u>(38,652)</u>	<u>-</u>	<u>(139,497)</u>
<i>Total accumulated depreciation</i>	<u>(111,685)</u>	<u>(39,262)</u>	<u>-</u>	<u>(150,947)</u>
<i>Net Capital Assets</i>	<u>\$ 373,742</u>	<u>\$ 51,881</u>	<u>\$ -</u>	<u>\$ 425,623</u>

NOTE 7 – COMPENSATED ABSENCES

Changes in the Council's obligations for compensated absences during 2010 were as follows:

	Balance <u>12/31/2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2010</u>	Due Within <u>One Year</u>
Compensated absences	<u>\$ 11,574</u>	<u>\$ 13,823</u>	<u>\$ (11,574)</u>	<u>\$ 13,823</u>	<u>\$ 13,823</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 assets.

NOTE 8 - PENSION PLANS

Ohio Public Employees Retirement System

Plan Description - The Council participates 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 in which the member invests both member and employer contributions (employer contributions vest over five 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 Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the Traditional Pension Plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 8 - PENSION PLANS - (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The Council's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the Council's contribution was 17.87% of covered payroll.

The Council's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The Council's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The Council's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$19,951, \$16,283, and \$14,955, respectively; 90.13% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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 and the Combined Plans. 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/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). 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 for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

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, 2010, 2009, and 2008 were \$11,374, \$11,774, and \$14,955, respectively; 90.13% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

NOTE 10 - BUDGETARY ACTIVITY

While reporting financial position, results of operations, and changes in net assets 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, 2010 is as follows:

<u>2010 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Enterprise	\$ <u>803,787</u>	\$ <u>697,475</u>	\$ <u>106,312</u>



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Westshore Council of Governments, Cuyahoga County, (the Council) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 19, 2012, wherein we noted the Council presented its basic financial statements in accordance with Generally Accepted Accounting Principles for the first time for the year ended December 31, 2010 and required adjustments to be recorded at December 31, 2009 to the fund cash balance previously reported. 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 the Council's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, 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*.

We did note certain matters not requiring inclusion in this report that we reported to the Council's management in a separate letter dated September 19, 2012.

We intend this report solely for the information and use of management, members of Council, and others within the Council. We intend it for no one other than these specified parties.

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

September 19, 2012



Dave Yost • Auditor of State

WESTSHORE COUNCIL OF GOVERNMENTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 11, 2012**