



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, 2014, 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, 2014, 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.

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*, 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, 2014**

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, 2014. 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 2014 are as follows:

- Total net position of the Council was \$1,718,051 at December 31, 2014. This was an increase of \$1,032,631 or 150.66% from the balance at December 31, 2013.
- The Council had operating revenues of \$1,391,696 and operating expenses of \$657,528 during 2014. The Council also had \$298,688 in federal, state and local grants, \$432 in interest revenue and \$657 in interest and fiscal charges during 2014.

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 2014?" 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 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, 2014**

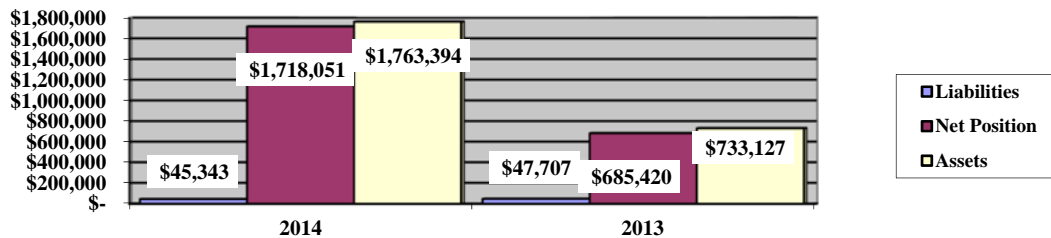
The table below provides a summary of the Council's net position at December 31, 2014 and December 31, 2013.

	Net Position	
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets	\$ 1,404,099	\$ 385,638
Capital assets, net	<u>359,295</u>	<u>347,489</u>
Total assets	<u>1,763,394</u>	<u>733,127</u>
<u>Liabilities</u>		
Current liabilities	45,343	38,723
Non-current liabilities	<u>-</u>	<u>8,984</u>
Total liabilities	<u>45,343</u>	<u>47,707</u>
<u>Net Position</u>		
Net investment in capital assets	350,311	329,941
Unrestricted	<u>1,367,740</u>	<u>355,479</u>
Total net position	<u>\$ 1,718,051</u>	<u>\$ 685,420</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2014, the Council's assets exceeded liabilities by \$1,718,051. Of this total, \$1,367,740 is unrestricted.

At year-end, capital assets represented 20.38% 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 position at December 31, 2014 and December 31, 2013.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

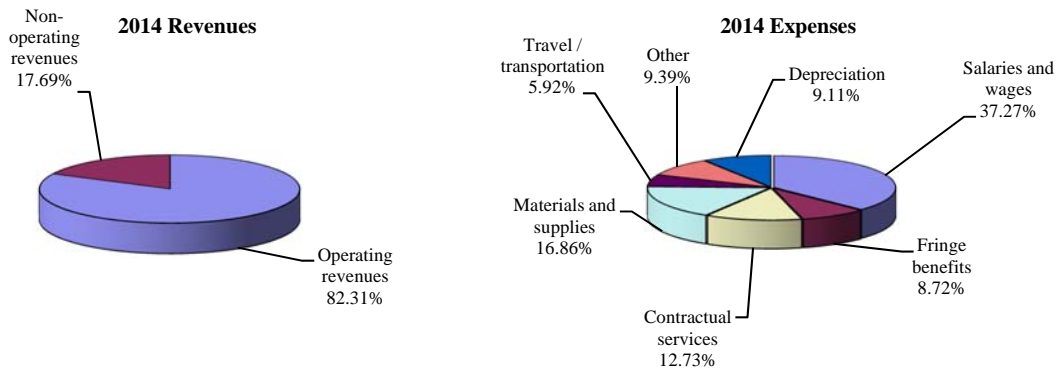
The table below shows the changes in net position for 2014 and 2013.

Change in Net Position

	<u>2014</u>	<u>2013</u>
<u>Operating Revenues:</u>		
Member dues	\$ 333,169	\$ 333,169
Fines and forfeitures	1,038,857	156,676
Other operating revenues	<u>19,670</u>	<u>8,877</u>
Total operating revenue	<u>1,391,696</u>	<u>498,722</u>
<u>Operating Expenses:</u>		
Salaries and wages	245,056	246,320
Fringe benefits	57,324	54,308
Contractual services	83,722	104,500
Materials and supplies	110,848	99,687
Travel/transportation	38,958	32,269
Other	61,730	80,864
Depreciation	<u>59,890</u>	<u>55,706</u>
Total operating expenses	<u>657,528</u>	<u>673,654</u>
<u>Non-operating revenues (expenses):</u>		
Federal, State and local grants	298,688	220,569
Interest income	432	23
Interest and fiscal charges	<u>(657)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>298,463</u>	<u>220,592</u>
Change in net position	1,032,631	45,660
Net position at the beginning of the year	<u>685,420</u>	<u>639,760</u>
Net position at the end of the year	<u>\$ 1,718,051</u>	<u>\$ 685,420</u>

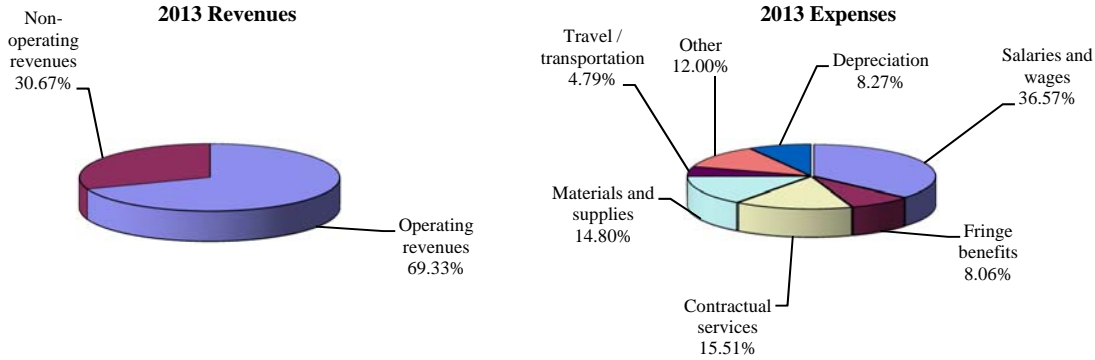
The primary operating revenues of the Council are member dues from the six member cities and fines and forfeiture revenues. These revenues account for 98.59% of total operating revenues. The large increase in fines and forfeiture revenues was the result of the seizure of large amounts of drug raids during 2014. The largest expense of the Council is salaries and wages which accounts for 37.27% of operating expenses. The Council had three full time and three part employees during 2014.

The charts below illustrate the revenues and expenses for the Council for 2014 and 2013.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**



Capital Assets

At December 31, 2014, the Council had \$359,295 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)**

	2014	2013
Equipment	\$ 75,676	\$ 11,100
Vehicles	283,619	336,389
Net Capital Assets	<u>\$ 359,295</u>	<u>\$ 347,489</u>

Long-Term Obligations

At December 31, 2014, the Council had \$8,984 in capital leases outstanding. See Note 7 for details on long-term obligations.

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 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, 2014

Assets:

Current assets:

Cash and cash equivalents	\$ 1,362,550
Due from other governments	38,665
Prepayments.	2,884
Total current assets	1,404,099

Non-current assets:

Depreciable capital assets, net	359,295
Total non-current assets	359,295
Total assets.	1,763,394

Liabilities:

Current liabilities:

Accounts payable	5,076
Accrued wages and benefits	2,767
Compensated absences.	18,177
Due to other governments	9,915
Travel reimbursement payable	424
Capital leases payable	8,984
Total liabilities	45,343

Net position:

Net investment in capital assets	350,311
Unrestricted	1,367,740
Total net position	\$ 1,718,051

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, 2014

Operating revenues:	
Member dues	\$ 333,169
Fines and forfeitures	1,038,857
Other operating revenues	19,670
Total operating revenues	<u>1,391,696</u>
 Operating expenses:	
Salaries and wages.	245,056
Fringe benefits.	57,324
Contractual services	83,722
Materials and supplies	110,848
Travel/transportation	38,958
Other.	61,730
Depreciation	59,890
Total operating expenses.	<u>657,528</u>
 Operating income	 <u>734,168</u>
 Non-operating revenues (expenses):	
Federal, State and local grants	298,688
Interest revenue	432
Interest and fiscal charges	(657)
Total nonoperating revenues (expenses)	<u>298,463</u>
 Change in net position	 1,032,631
 Net position at beginning of year	 <u>685,420</u>
Net position at end of year.	<u>\$ 1,718,051</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, 2014

Cash flows from operating activities:	
Cash received from member dues	\$ 333,169
Cash received from fines and forfeitures	1,038,857
Cash received from other operations	19,670
Cash payments for salaries and wages.	(242,324)
Cash payments for fringe benefits	(60,443)
Cash payments to suppliers for goods and services	(83,809)
Cash payments for materials and supplies	(110,497)
Cash payments for travel/transportation	(39,121)
Cash payments for other expenses	(55,347)
Net cash provided by operating activities.	<u>800,155</u>
Cash flows from noncapital financing activities:	
Cash received from federal, State and local grants	349,878
Net cash provided by noncapital financing activities	<u>349,878</u>
Cash flows from capital and related financing activities:	
Interest and fiscal charges	(657)
Principal retirement on capital lease	(8,564)
Acquisition of capital assets	(71,696)
Net cash used in capital and related financing activities.	<u>(80,917)</u>
Cash flows from investing activities:	
Interest received	432
Net cash provided by investing activities	<u>432</u>
Net increase in cash and cash equivalents.	1,069,548
Cash and cash equivalents at beginning of year	<u>293,002</u>
Cash and cash equivalents at end of year	<u>\$ 1,362,550</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 734,168
Adjustments:	
Depreciation	59,890
Changes in assets and liabilities:	
Prepayments	(103)
Accounts payable.	(783)
Accrued wages and benefits	984
Due to other governments.	6,361
Compensated absences payable	(199)
Travel reimbursement payable	(163)
Net cash provided by operating activities	<u>\$ 800,155</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, 2014**

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, 2014

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.

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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 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.

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".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all Council deposits was \$1,359,050. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2014, \$863,835 of the Council's bank balance of \$1,364,835 was exposed to custodial credit risk as discussed below while \$501,000 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, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,359,050
Cash on hand	<u>3,500</u>
Total	<u>\$ 1,362,550</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Business-type activities	<u>\$ 1,362,550</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 2014, 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, 2014

NOTE 4 - RISK MANAGEMENT - (Continued)

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	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, 2014, follows.

	Balance 12/31/13	Additions	Deductions	Balance 12/31/14
<i>Capital assets, being depreciated</i>				
Equipment	\$ 26,290	\$ 71,696	\$ -	\$ 97,986
Vehicles	<u>626,237</u>	<u>-</u>	<u>-</u>	<u>626,237</u>
<i>Total capital assets, being depreciated</i>	<u>652,527</u>	<u>71,696</u>	<u>-</u>	<u>724,223</u>
<i>Less: Accumulated Depreciation</i>				
Equipment	(15,190)	(7,120)	-	(22,310)
Vehicles	<u>(289,848)</u>	<u>(52,770)</u>	<u>-</u>	<u>(342,618)</u>
<i>Total accumulated depreciation</i>	<u>(305,038)</u>	<u>(59,890)</u>	<u>-</u>	<u>(364,928)</u>
<i>Net Capital Assets</i>	<u>\$ 347,489</u>	<u>\$ 11,806</u>	<u>\$ -</u>	<u>\$ 359,295</u>

NOTE 6 - RECEIVABLES

At year end, the Council had \$38,665 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, 2014

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in the Council's long-term obligations during 2014 were as follows:

	<u>Balance</u> <u>12/31/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Due Within</u> <u>One Year</u>
Capital lease obligation	\$ 17,548	\$ -	\$ (8,564)	\$ 8,984	\$ 8,984
Compensated absences	<u>18,376</u>	<u>18,177</u>	<u>(18,376)</u>	<u>18,177</u>	<u>18,177</u>
Total governmental activities long-term liabilities	<u>\$ 35,924</u>	<u>\$ 18,177</u>	<u>\$ (26,940)</u>	<u>\$ 27,161</u>	<u>\$ 27,161</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 meet 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 \$6,236 leaving a current book value of \$18,709.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2014:

<u>Year Ending</u> <u>December 31,</u>	<u>Vehicles</u>
2015	<u>\$ 9,220</u>
Total minimum lease payments	9,220
Less: amount representing interest	<u>(236)</u>
Present value of future minimum lease payments	<u>\$ 8,984</u>

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 277 East Town Street, 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 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for regular members and 13.00% for law enforcement members. The Council's contribution rate for 2014 was 14.00% of covered payroll for normal members and 18.10% for law enforcement members.

The Council's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00% for regular members and 16.10% for law enforcement members. The Council's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$30,218, \$30,568, and \$23,452, respectively; 100% has been contributed for 2014, 2013 and 2012.

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, 277 East Town Street, 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 2014, local government employers contributed 14.00% of covered payroll for regular members and 18.10% for law enforcement members. 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 2014 was 2.00%.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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, 2014, 2013, and 2012 were \$5,036, \$3,826, and \$8,497, respectively; 100% has been contributed for 2014, 2013 and 2012.

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.

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, 2014 is as follows:

<u>2014 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Enterprise	<u>\$ 569,490</u>	<u>\$ 642,063</u>	<u>\$ (72,573)</u>

NOTE 11 - ACCOUNTABILITY AND COMPLIANCE

For 2014, the Council has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Council.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Council.



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, 2014, 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.

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 "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

February 22, 2017

**WESTSHORE COUNCIL OF GOVERNMENTS
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Financial Reporting Material Weakness - Material audit adjustments were made to the 2013 financial statements	Yes	

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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**