



Dave Yost • Auditor of State

**LORAIN PUBLIC LIBRARY SYSTEM
LORAIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Southwest Regional 800 MHz Communications Network Council of Governments
Cuyahoga County
6161 Engle Road
Brook Park, Ohio 44142

To the Members of the Network Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Regional 800 MHz Communications Network Council of Governments, Cuyahoga County, Ohio (the Network Council), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Network 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 the cash accounting basis Note 2C describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 Network 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 Network Council's internal control. Accordingly, we express no 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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Regional 800 MHz Communications Network Council of Governments, Cuyahoga County, Ohio, as of December 31, 2014, and the respective changes in cash financial position in accordance with the accounting basis described in Note 2C.

Accounting Basis

We draw attention to Note 2C of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

Our audit was conducted to opine on the financial statements taken as a whole.

We applied no procedures to the Management's Discussion & Analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of the Network 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 Network Council's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 16, 2015

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2014*

The management's discussion and analysis of the Southwest Regional 800 MHz Communications Network Council of Governments' (the "Network Council") financial performance provides an overall review of the Network Council's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to look at the Network Council's financial performance as a whole. Readers should also review the basic financial statements and the notes to those financial statements to enhance their understanding of the Network Council's financial performance.

Financial Highlights

Total assets of the Network Council decreased from \$835,517 to \$282,311, a total decrease of \$553,206. This decrease can mainly be attributed to the Network Council's investment in infrastructure during 2014 coupled with the Network Council not receiving reimbursements from the members for services provided in 2013 and 2014 until January 2015.

Using This Annual Financial Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Network Council's cash basis of accounting. Accordingly, it consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the Network Council as a financial whole, or as an entire operating entity. The statements provide a detailed look at the Network Council's specific financial activities.

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis provide information about the activities of the whole Network Council, presenting both an aggregate view of the Network Council's finances and a longer term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the Network Council's most significant funds with all other non-major funds presented in total in one column. The Network Council does not have any non-major funds.

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2014*

Basis of Accounting

The Network Council's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Network Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) and deferred inflows and outflows of resources are not recorded in these financial statements.

Reporting the Network Council as a Whole

Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis

The Statement of Net Position presents information on all of the Network Council's assets and liabilities with the difference between them reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the Network Council is improving or deteriorating. However, in evaluating the overall position of the Network Council, non-financial factors such as the Network Council's changes in membership and the condition of the infrastructure should also be considered.

Reporting the Network Council's Most Significant Funds

Fund Financial Statements

The presentation of the Network Council's major funds begins on page 11. The Network Council uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and identify certain services and activities provided to the members. However, these fund financial statements focus on the Network Council's most significant funds. All of the funds of the Network Council are governmental funds. The Network Council's major funds are the General Fund and the Radio Tower Replacement Fund.

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2014*

Governmental Funds

Governmental funds are used to account for all activities which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an other comprehensive basis of accounting method called cash basis which measures cash and all other financial assets that are expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Network Council's general operations and the basic services it provides. Governmental fund information assists in determining whether there are more or less financial resources available in the near future for important Network Council services. Both the governmental fund balance sheet and the governmental fund statement of receipts, disbursements and changes in fund balances agree to the governmental activities reported in the Statement of Net Position and the Statement of Activities.

The Network Council as a Whole

Government-wide Financial Analysis

As noted earlier, the Statement of Net Position – Cash Basis looks at the Network Council as a whole and can be used as an indicator of the Network Council's financial position. The Statement of Net Position in Table 1 provides a summary of the Network Council's net position for 2014 compared to 2013.

Table 1 - Net Position

	Governmental Activities	
	2014	2013
<u>Assets</u>		
Cash and Cash Equivalents with Fiscal Agent	\$ 282,311	\$ 835,517
Total Assets	<u>282,311</u>	<u>835,517</u>
<u>Net Position</u>		
Unrestricted	282,311	835,517
Total Net Position	<u>\$ 282,311</u>	<u>\$ 835,517</u>

Total assets of the Network Council decreased from \$835,517 to \$282,311, a total decrease of \$553,206. This decrease can mainly be attributed to the Network Council's investment in infrastructure during 2014 coupled with the Network Council not receiving reimbursements from the members for services provided in 2013 and 2014 until January 2015.

Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio
Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2014

Table 2 shows the changes in Net Position for the years ended December 31, 2014 and December 31, 2013, and corresponds to the Statement of Activities on page 10.

Table 2 - Change in Net Position

	Governmental Activities	
	2014	2013
<u>Receipts</u>		
Program Receipts:		
Charges for Services	\$ 6,332	\$ 21,977
Capital Grants and Contributions	11,240	514,768
Total Receipts	17,572	536,745
<u>Program Disbursements</u>		
Public Safety and Service	32,385	82,447
Capital Outlay	538,393	337,997
Total Program Disbursements	570,778	420,444
Change in Net Position	(553,206)	116,301
Net Position, Beginning of Year	835,517	719,216
Net Position, End of Year	\$ 282,311	\$ 835,517

Total receipts decreased in 2014 compared to 2013 by \$519,173. The decrease is mainly attributed to decreases in capital grants and contributions. The decrease in capital grants and contributions of \$503,528 is mainly related to contributions received for investments in additional infrastructure during 2013.

The Network Council's Funds

Information about the Network Council's major funds begins on page 11. These funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$17,572 and disbursements of \$570,778. The fund balance of the General Fund decreased due to the timing of the receipt of reimbursements from the members for services provided in 2013 and 2014. The reimbursements were not receipted until January 2015.

The decrease in the fund balance of the Radio Tower Replacement Fund is due to the Network Council's continued investment in its infrastructure to provide superior services to its members.

Budgeting Highlights

The Ohio Revised Code does not require the Network Council to prepare an annual budget.

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**
*Management's Discussion and Analysis (Unaudited)
For the Year Ended December 31, 2014*

Property, Plant, and Equipment

The Network Council records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets. Accounting records of the Network Council are maintained to track capital outlay disbursements.

Long-Term Obligations

As of December 31, 2014, the Network Council has no debt outstanding.

Current Financial Related Activities

In 2014, the Network Council began charging a user fee of \$4.96 per radio to each member. This user fee is in response to the agreement the Network Council entered into with the City of Cleveland, Ohio. This agreement will expand the capabilities of the Network Council as well as provide increased services and reliability to the members.

Contacting the Network Council's Fiscal Agent

This financial report is designed to provide our residents, taxpayers, creditors, and investors with a general overview of the Network Council's finances and demonstrate the Network Council's accountability for all money it receives, spends, and invests. If you have questions concerning this report or need additional financial information, contact the Finance Director at the City of Brook Park, 6161 Engle Road, Brook Park, Ohio 44142, by telephone at 216-433-1300.

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

Basic Financial Statements

Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio
Statement of Net Position – Cash Basis
December 31, 2014

	Governmental Activities
ASSETS	
Cash and Cash Equivalents with Fiscal Agent	\$ 282,311
Total Assets	282,311
 NET POSITION	
Unrestricted	282,311
Total Net Position	\$ 282,311

The notes to the basic financial statements are an integral part of this statement

Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio
Statement of Activities – Cash Basis
For the Year Ended December 31, 2014

<u>Functions</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipt and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	
Primary Government:				
Governmental Activities:				
Public Safety and Service	\$ 32,385	\$ 6,332	\$ -	\$ (26,053)
Capital Outlay	538,393	-	11,240	(527,153)
Total Governmental Activities	<u>\$ 570,778</u>	<u>\$ 6,332</u>	<u>\$ 11,240</u>	<u>(553,206)</u>
				(553,206)
				835,517
				<u>\$ 282,311</u>

The notes to the basic financial statements are an integral part of this statement

Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio
Balance Sheet – Cash Basis
Governmental Funds
December 31, 2014

	General Fund	Radio Tower Replacement Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents with Fiscal Agent	\$ (86,524)	\$ 368,835	\$ 282,311
Total Assets	\$ (86,524)	\$ 368,835	\$ 282,311
FUND BALANCES			
Assigned	\$ -	\$ 368,835	\$ 368,835
Unassigned (Deficit)	(86,524)	-	(86,524)
Total Fund Balances	\$ (86,524)	\$ 368,835	\$ 282,311

The notes to the basic financial statements are an integral part of this statement

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis
Governmental Funds
For the Year Ended December 31, 2014*

	General Fund	Radio Tower Replacement Fund	Total Governmental Funds
RECEIPTS			
Intergovernmental	\$ 6,332	\$ -	\$ 6,332
Rentals	-	11,240	11,240
Total Receipts	6,332	11,240	17,572
DISBURSEMENTS			
Current:			
Public Safety and Service	32,385	-	32,385
Capital Outlay	-	538,393	538,393
Total Disbursements	32,385	538,393	570,778
Net Change in Fund Balances	(26,053)	(527,153)	(553,206)
Fund Balances - Beginning of Year	(60,471)	895,988	835,517
Fund Balances - End of Year	\$ (86,524)	\$ 368,835	\$ 282,311

The notes to the basic financial statements are an integral part of this statement

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2014*

NOTE 1: REPORTING ENTITY

The constitution and laws of the State of Ohio, under Ohio Revised Code Section 167.01, establish the rights and privileges of the Southwest Regional 800 MHz Communications Network Council of Governments, Cuyahoga County, Ohio (the “Network Council”) as a body corporate and politic. The Network Council was established in 1995 through an agreement approved by the City of Brook Park, the City of North Royalton, the City of Parma Heights, and the City of Strongsville to provide a common, shared infrastructure capable of supporting the needs of all members relative to operation, coverage, and budgetary considerations. The Network Council will provide member autonomy while permitting for inter-agency and inter-city mutual aid communication on demand. The original agreement was revised and amended in 2005. In subsequent periods, the Cities of Berea, Middleburg Heights, and Olmsted Falls along with the Olmsted Township were admitted as members to the Network Council. In 2011, the Network Council and the City of Cleveland signed an agreement for shared use of frequencies and an 800 MHz P25 Radio Communication System. The term of this agreement shall continue, unless sooner terminated pursuant to the agreement, for twenty (20) years.

The business of the Network Council is managed by the Governing Body as established in the amended Articles of Understanding and Agreement. The Governing Body shall exercise all powers of the Network Council which are not otherwise required to be exercised by the members. The Governing Body shall consist of one (1) representative from each member. For purposes of voting and approval processes, each member shall have one vote. A simple majority of the total membership shall constitute a quorum and action may be taken by the affirmative vote of a simple majority of the total membership. Voting shall be done by members or alternates personally present or by signed proxy.

The City of Brook Park, Cuyahoga County, Ohio serves as the fiscal agent for the Network Council and provides certain accounting and administrative services to the Network Council.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2 C, these financial statements of the Network Council have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The more significant of the Network Council’s accounting policies are described on the following pages.

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2014*

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. Basis of Presentation

The Network Council's basic financial statements consist of government-wide financial statements, including a statement of net position – cash basis and a statement of activities – cash basis, and cash basis fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position – cash basis and the statement of activities – cash basis display information about the Network Council as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the Network Council at year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the Network Council's governmental activities. Direct disbursements are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods and services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Network Council, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program is self-financing or draws from the general receipts of the Network Council.

Fund Financial Statements During the year, the Network Council segregates transactions related to certain Network Council functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Network Council at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Network Council does not have any non-major funds.

B. Fund Accounting

The Network Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Network Council only presents governmental funds.

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2014*

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

Governmental Funds Governmental funds are those through which governmental functions are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows compared to liabilities and deferred inflows of resources is reported as fund balance. The following are descriptions of the Network Council's two funds, which are considered major governmental funds:

General Fund The General Fund is the operating fund of the Network Council and is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund balance is available to the Network Council for any purpose provided it is expended or transferred according to the Articles of Understanding and Agreement of the Network Council and/or the general laws of Ohio.

Radio Tower Replacement Fund The Radio Tower Replacement Fund is the capital fund of the Network Council and is used to account for all financial resources utilized for the maintenance and expansion of the Network Council's infrastructure.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The Network Council does not have any enterprise or internal service funds.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investments trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Network Council under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Network Council's own programs. The Network Council has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Network Council has no agency funds.

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2014*

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. Basis of Accounting

The Network Council's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Network Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) and deferred inflows and outflows of resources are not recorded in these financial statements.

D. Cash, Cash Equivalents, and Investments

The Finance Director of the City of Brook Park, Cuyahoga County, Ohio is the custodian for the Network Council's cash and investments. The City's cash and investment pool holds the Network Council's cash and investments and are valued at the City's reported carrying amount. Deposit and investment disclosures for the City as a whole may be obtained from the City by contacting the Finance Director, 6161 Engle Road, Brook Park, Ohio 44142, or by calling 216-433-1300.

E. Inventory and Prepaid Items

The Network Council reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

F. Property, Plant, and Equipment

The Network Council records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not reflect these items as assets.

A detailed equipment list of all shared infrastructure items is accounted for and can be provided to members upon request.

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2014*

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Network Council is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the Network Council's Governing Body. Those committed amounts cannot be used for any other purpose unless the Network Council's Governing Body removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Network Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the Network Council's Governing Body.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Network Council applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2014*

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. Net Position

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position 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. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. As of December 31, 2014, all of the Network Council's net position was classified as unrestricted.

The Network Council applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

I. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Network Council Administration and that are either unusual in nature or infrequent in occurrence. The Network Council had no extraordinary or special items during 2014.

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2014*

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

K. Budgetary Data

The Ohio Revised Code does not require the Network Council to prepare an annual budget. Therefore, a budgetary statement is not provided for the General Fund within the basic financial statements.

NOTE 3: **CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement Number 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 and have been implemented by the Network Council.

GASB Statement Number 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013 and have been implemented by the Network Council.

GASB Statement Number 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 and have been implemented by the Network Council.

These GASB Statements did not have an effect on the Network Council's financial statements.

**Southwest Regional 800 MHz Communications Network
Council of Governments
Cuyahoga County, Ohio**

*Notes to the Basic Financial Statements (continued)
For the Year Ended December 31, 2014*

NOTE 4: RISK MANAGEMENT

The City of Brook Park, Cuyahoga County, Ohio has a comprehensive insurance package, which the Network Council is covered under. Insurance information can be obtained from the City by contacting the Finance Director, 6161 Engle Road, Brook Park, Ohio 44142, or by calling 216-433-1300.

Settled claims have not exceeded coverage in any of the past three years. Also, there have been no significant reductions in the limits of liability.

NOTE 5: RELATED PARTY TRANSACTIONS

The Network Council's operations are funded through fees charged to member subdivisions to cover the annual operating disbursements. The fees are distributed based upon the percentage of the total number of radios that each respective member has on the Network. As of December 31, 2014, each member's percentage investment in the Network Council is as follows:

Member	Radios	%
Berea	121	7.76%
Brook Park	305	19.55%
Middleburg Heights	136	8.72%
North Royalton	154	9.87%
Olmsted Falls	88	5.64%
Olmsted Falls Twp.	76	4.87%
Parma Heights	248	15.90%
Strongsville	432	27.69%
	1,560	100.00%

The Cities of Berea and Olmsted Falls and Olmsted Township are annually repaying the Network Council \$3,524, 11,739, and \$10,891, respectively. These repayments are to reimburse the Network Council for fiber costs specific to those members. These reimbursements are recorded in the Radio Tower Replacement Fund.

NOTE 6: ACCOUNTABILITY AND COMPLIANCE

As of December 31, 2014, the Network Council's General Fund is reporting a negative cash balance due the timing of the reimbursements from the members. In January 2015, the Network Council was fully reimbursed by all members.



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

Southwest Regional 800 MHz Communications Network Council of Governments
Cuyahoga County
6161 Engle Road
Brook Park, Ohio 44142

To the Members of the Network 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 governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Regional 800 MHz Communications Network Council of Governments, Cuyahoga County, Ohio, (the Network Council) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Network Council's basic financial statements and have issued our report thereon dated December 16, 2015, wherein we noted the Network Council uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Network 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Network 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 Network 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 Network 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 Network Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Network Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 16, 2015



Dave Yost • Auditor of State

SOUTHWEST REGIONAL 800 MHZ COMMUNICATIONS NETWORK 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
FEBRUARY 16, 2016**