



**ASHTABULA COUNTY SCHOOLS COUNCIL OF
GOVERNMENTS
ASHTABULA COUNTY**

**REGULAR AUDIT
FOR THE YEARS ENDED JUNE 30, 2010 and 2009**



Dave Yost • Auditor of State

Board of Directors
Ashtabula County Schools Council of Governments
1565 State Route 167
P. O. Box 186
Jefferson, Ohio 44047

We have reviewed the *Independent Accountants' Report* of the Ashtabula County Schools Council of Governments, Ashtabula County, prepared by Canter & Associates, for the audit period July 1, 2008 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ashtabula County Schools Council of Governments is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 14, 2011

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Ashtabula County Schools Council of Governments

Ashtabula County

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INDEPENDENT ACCOUNTANTS' REPORT

Ashtabula County Schools Council of Governments
Ashtabula, County
Jefferson, OH 44047-0186

To the Board of Directors:

We have audited the accompanying financial statements of the Ashtabula County Schools Council of Governments, (The Council), Ashtabula County, as of and for the years ended June 30, 2010 and 2009. 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 opinion.

As described more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the larger (i.e. major) funds separately. The Council only has one fund, the General Fund. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Council to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Ashtabula County Schools Council of Governments, Ashtabula County, as of June 30, 2010, and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2011, 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.



Canter & Associates

January 10, 2011

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
ASHTABULA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

| | General |
|---|--------------------|
| Cash Receipts: | |
| Receipts from Member Districts | \$15,722,268 |
| Interest | 58,886 |
| Stop Loss Insurance Reimbursements | 1,140,278 |
| Voids/Refunds | 42,468 |
| COBRA Payments | 39,639 |
| | 17,003,539 |
| | |
| Cash Disbursements: | |
| Payments to Third Party Administrators | 15,812,932 |
| Purchased Services | 30,534 |
| Insurance | 350 |
| Liability Expenses | 4,400 |
| Actuarial Report | 1,750 |
| Miscellaneous | 147 |
| Service Fees | 18,750 |
| Health Action Council Annual Access Fee | 3,234 |
| | 15,872,097 |
| | |
| Total Cash Receipts Over/(Under) Cash Disbursements | 1,131,442 |
| | |
| Fund Cash Balances, July 1 | 7,629,402 |
| | |
| Fund Cash Balances, June 30 | \$8,760,844 |

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

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
ASHTABULA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

| | General |
|---|------------------------|
| Cash Receipts: | |
| Receipts from Member Districts | \$15,455,476 |
| Interest | 120,343 |
| Stop Loss Insurance Reimbursements | 219,366 |
| Voids/Refunds | 10,489 |
| COBRA Payments | 56,970 |
| | 15,862,644 |
| Cash Disbursements: | |
| Payments to Third Party Administrators | 15,937,033 |
| Purchased Services | 27,931 |
| Insurance | 350 |
| Audit Costs | 9,902 |
| Liability Expenses | 4,400 |
| Miscellaneous | 221 |
| Health Action Council Annual Access Fee | 3,278 |
| | 15,983,115 |
| Total Cash Receipts Over/(Under) Cash Disbursements | (120,471) |
| Fund Cash Balances, July 1 | 7,749,873 |
| Fund Cash Balances, June 30 | \$7,629,402 |

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

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ashtabula County Schools Council of Governments, Ashtabula County, (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 as defined by Chapter 167 of the Ohio Revised Code.

The Council is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees in accordance with the Council-by-laws.

The Council is directed by a Governing Board, consisting of the Superintendents or designee of the participating school districts. As of June 30, 2010 there were seven participating members of the Council.

Members pay monthly premiums (program costs) that are placed in a common fund from which eligible claims are paid for member employees and their covered dependents. Claims are paid for all participants regardless of claims flow, resulting in a transfer of all risk. The Board of Directors annually estimate and set the amount of funds necessary in order to have funds available to pay all claims which could be made Under the Health Benefits Plan by covered persons which would not be paid aggregate and specific stop-loss insurance coverage, and said amounts will be placed in a reserve fund.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Certificates of deposit are valued at cost.

D. 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. The Council maintains a general fund to account for its expendable financial resources and related current expenses.

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

E. Budgetary Process

The Council is not required to follow the budgetary process but had decided to adopt a formal budget annually as part of their by-laws.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund/function level of control. The Board annually approves appropriation measures and subsequent amendments.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of July 1.

3. Encumbrances

The Council reserves (encumbers) appropriations when commitments are made.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Council maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

| | 2010 | 2009 |
|--------------------------------|-------------|-------------|
| Demand deposits | \$8,760,844 | \$1,629,402 |
| Certificates of deposit | 0 | 6,000,000 |
| Total deposits and investments | \$8,760,844 | \$7,629,402 |

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2010 and 2009 follows:

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

2010 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------|----------------------|--------------------|-----------|
| General | \$17,006,526 | \$17,003,539 | (\$2,987) |
| Total | \$17,006,526 | \$17,003,539 | (\$2,987) |

2010 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------|----------------------------|---------------------------|----------|
| General | \$15,872,097 | \$15,872,097 | \$0 |
| Total | \$15,872,097 | \$15,872,097 | \$0 |

2009 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------|----------------------|--------------------|-----------|
| General | \$15,868,316 | \$15,862,644 | (\$5,672) |
| Total | \$15,868,316 | \$15,862,644 | (\$5,672) |

2009 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------|----------------------------|---------------------------|----------|
| General | \$16,043,126 | \$15,983,115 | \$60,011 |
| Total | \$16,043,126 | \$15,983,115 | \$60,011 |

4. RISK MANAGEMENT

The Council contracted with a third party administrator, Anthem Benefit Administrators, Inc for the years ended June 30, 2010 and 2009, to process and pay health benefit claims incurred by its members. Payments are made by members to the Council for monthly health insurance premiums, monthly stop-loss premiums, and administrative charges. The Fiscal Officer approves monthly payments to the third party administrators for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of the Council members. Member school districts whose claims exceed premiums paid, will carry a negative fund balance for which interest is assessed on. When the balance is no longer negative, interest will no longer be assessed.

| | | |
|-------------------------|-------------|-------------|
| | 2010 | 2009 |
| Cash and Investments | \$9,109,649 | \$9,013,227 |
| Actuarially Liabilities | 1,630,000 | 1,789,000 |



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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Ashtabula County Schools Council of Governments
Ashtabula County
Jefferson, OH 44047-0186

To the Board of Directors:

We have audited the financial statements of the Ashtabula County Schools Council of Governments (the Council) as of and for the years ended June 30, 2010 and 2009 and have issued our report thereon dated January 10, 2011, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Consortium'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 obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

Canter & Associates

A handwritten signature in blue ink that reads "Canter & Assoc" with a stylized flourish at the end.

Poland, Ohio

January 10, 2011



Dave Yost • Auditor of State

ASHTABULA COUNCIL OF GOVERNMENTS

ASHTABULA 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 24, 2011**