



**ASHTABULA COUNTY SCHOOLS COUNCIL OF  
GOVERNMENTS**

**ASHTABULA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**



**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, 2012 and 2011. 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 fund the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Council's larger (i.e. Major) funds separately. 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, 2012 and 2010 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, 2012 and 2011, 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, 2012, and 2011, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 5, during 2011 the Council adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, 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**  
Poland, Ohio

January 30, 2013

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>General</b>
<b>Cash Receipts:</b>	
Receipts from Member Districts	\$16,175,139
Interest	14,591
Stop Loss Insurance Reimbursements	459,248
Voids/Refunds	33,283
COBRA Payments	55,411
	16,737,672
<b>Total Cash Receipts</b>	<b>16,737,672</b>
<b>Cash Disbursements:</b>	
Payments to Third Party Administrators	16,214,151
Purchased Services	31,702
Insurance	350
Liability Expenses	4,400
Actuarial Report	1,000
Miscellaneous	118
Service Fees	115,716
Health Action Council Annual Access Fee	3,234
	16,370,671
<b>Total Cash Disbursements</b>	<b>16,370,671</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>367,001</b>
<b>Fund Cash Balance, July 1</b>	<b>9,259,557</b>
<b>Fund Cash Balances, June 30</b>	
Unassigned	9,626,558
<b>Fund Cash Balance, June 30</b>	<b>\$9,626,558</b>

*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 BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General</b>
<b>Cash Receipts:</b>	
Receipts from Member Districts	\$15,948,013
Interest	14,580
Stop Loss Insurance Reimbursements	452,777
Voids/Refunds	7,483
COBRA Payments	17,921
	16,440,774
<b>Cash Disbursements:</b>	
Payments to Third Party Administrators	15,786,959
Purchased Services	30,764
Insurance	350
Audit Costs	7,143
Liability Expenses	4,400
Actuarial Report	1,000
Miscellaneous	34
Service Fees	108,177
Health Action Council Annual Access Fee	3,234
	15,942,061
Total Cash Receipts Over/(Under) Cash Disbursements	498,713
Fund Cash Balance, July 1	8,760,844
<b>Fund Cash Balances, June 30</b>	
Unassigned	9,259,557
<b>Fund Cash Balance, June 30</b>	<b>\$9,259,557</b>

*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, 2012 AND 2011**

**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 (GASB) No. 10 as amended by GASB Statement No.30. 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, 2012 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Council must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Non-spendable**

The Council classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Committed**

The Board can *commit* amounts via formula action (resolution). The Council must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purpose but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* amounts represent intended uses established by Council or a Council official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Council applies restricted resources first when expenditures 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 expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**2. EQUITY IN POOLED CASH**

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$9,626,558	\$9,259,557

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,599,316	\$16,737,672	\$138,356

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,370,671	\$16,370,671	\$0

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,448,435	\$16,440,774	(\$7,661)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,942,027	\$15,942,061	(\$34)

**4. RISK MANAGEMENT**

The Council contracted with a third party administrator, Anthem Benefit Administrators, Inc for the years ended June 30, 2012 and 2011, 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.

The Council employs stop-loss coverage to reduce its risk that large losses may be incurred on medical claims. This allows the Council to recover a portion of losses on claims from reinsurers, although it does not discharge their primary liability.

An actuarial valuation of the health care plan is prepared annually under the guidelines set forth in Actuarial Standards of Practice No. 5, *Incurred Health Claims Liabilities* (ASB 5) of the Actuarial Standards Board of the American Academy of Actuaries. The purpose of the valuation is to compare this liability to funds reserved. The method and assumptions utilized for measuring an actuarial liability are critical to the determination as to whether funds are adequate.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011**

**4. RISK MANAGEMENT (Continued)**

The pool reported the following summary of assets and actuarially measured liabilities available to pay those liabilities as of September 30, which is the date of the actuarial report:

	<u>2012</u>	<u>2011</u>
Cash and Investments	\$9,244,194	\$9,366,412
Actuarially Liabilities	1,775,000	1,698,000

**5. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2011, the Council has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this Statement did not have an effect on the Council's financial statements.



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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, 2012 and 2011 and have issued our report thereon dated January 30, 2013, wherein we noted the Council followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the years ended June 30, 2012 and 2011. 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 Council's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and timely corrected.

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

**Compliance and Other Matters**

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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*.

We intend this report solely for the information and use of management and the Board of Directors. We intend it for no one other than these specified parties.



**Canter & Associates**  
Poland, Ohio

January 30, 2013

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# Dave Yost • Auditor of State

**ASHTABULA SCHOOLS 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  
APRIL 2, 2013**