



Dave Yost • Auditor of State

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Statement of Net Position – June 30, 2016	14
Statement of Activities – For the Fiscal Year Ended June 30, 2016	15
Balance Sheet – Governmental Fund – June 30, 2016.....	16
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities – June 30, 2016	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund – For the Year Ended June 30, 2016.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities – For the Fiscal Year Ended June 30, 2016	19
Statement of Fiduciary Assets and Liabilities – Agency Fund – June 30, 2016	20
Notes to the Basic Financial Statements	21
Required Supplementary Information:	
Schedule of the Council's Proportionate Share of the Net Pension Liability – School Employees Retirement System of Ohio – Last Three Fiscal Years.....	42
Schedule of Council Contributions – School Employees Retirement System of Ohio – Last Ten Fiscal Years	44
Additional Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund – For the Fiscal Year Ended June 30, 2016	47
Notes to the Additional Supplementary Information	48
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	51

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ohio Schools Council
Cuyahoga County
6393 Oak Tree Boulevard, Suite 377
Independence, Ohio 44131

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ohio Schools Council, Cuyahoga County, Ohio (the Council), as of and for the year ended June 30, 2016, 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 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 financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Ohio Schools Council, Cuyahoga County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof 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* and schedules of net pension liabilities and pension contributions 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.

Supplementary and Other Information

Our audit was conducted to opine on the Council's basic financial statements taken as a whole.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund presents additional analysis and is not a required part of the basic financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 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.

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

February 24, 2017

This page intentionally left blank.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The discussion and analysis of Ohio Schools Council's (the Council) financial performance provides an overall review of the Council's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- Net position of governmental activities decreased by \$177,637 from fiscal year 2015 mainly due to an increase in liabilities.
- In total, the Council's expenses exceeded program specific charges for services by \$253,947.
- The general fund, the Council's only operating fund decreased by \$143,107 from the fiscal year 2015 balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Council's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The *statement of activities* presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected receivables and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Council that are principally supported by user fees and charges and the program expenses used to operate during the fiscal year.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council can be divided into two categories: governmental and fiduciary funds.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Council maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be the major fund.

The basic fund financial statements can be found on pages 16-19 of this report.

Fiduciary Funds The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the Council's own programs. Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trusts funds and agency funds. Trust funds are used to account for assets held by the Council under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Council's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Council's only fiduciary fund is an agency fund.

The basic fiduciary fund financial statement can be found on page 20 of this report.

Notes to the Basic Financial Statements The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Council, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7.42 million at the close of the most recent fiscal year.

More than ninety-nine percent of the Council's net position reflects its unrestricted net position. The Council uses unrestricted net position to meet ongoing obligations to creditors. Less than one percent of the net position is investments in capital assets (e.g., equipment and furniture). The Council uses these capital assets to provide services to the school districts; consequently, these assets are not available for future spending.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

At the end of the current fiscal year, the Council is able to report positive balances in both categories of net position in the governmental activities. The same situation held true for the prior fiscal year.

The following table shows net position for fiscal year 2016 compared to fiscal year 2015.

Table 1 - Net Position

	Governmental Activities		
	2016	2015	Change
Assets			
Current and Other Assets	\$8,374,223	\$8,440,578	(\$66,355)
Capital Assets	28,154	27,048	1,106
<i>Total Assets</i>	<u>8,402,377</u>	<u>8,467,626</u>	<u>(65,249)</u>
Deferred Outflows of Resources			
Pension	298,832	66,356	232,476
Liabilities			
Current Liabilities	162,766	77,500	(85,266)
Long-term Liabilities:			
Due Within One Year	21,066	15,098	(5,968)
Due in More Than One Year:			
Net Pension Liability	1,044,153	707,013	(337,140)
Other Amounts Due In More Than One Year	20,368	23,737	3,369
<i>Total Liabilities</i>	<u>1,248,353</u>	<u>823,348</u>	<u>(425,005)</u>
Deferred Inflows of Resources			
Pension	34,609	114,750	80,141
Net Position			
Investment in Capital Assets	28,154	27,048	1,106
Unrestricted	7,390,093	7,568,836	(178,743)
<i>Total Net Position</i>	<u>\$7,418,247</u>	<u>\$7,595,884</u>	<u>(\$177,637)</u>

The net pension liability (NPL) is the largest single liability reported by the Council at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Council's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the Council's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

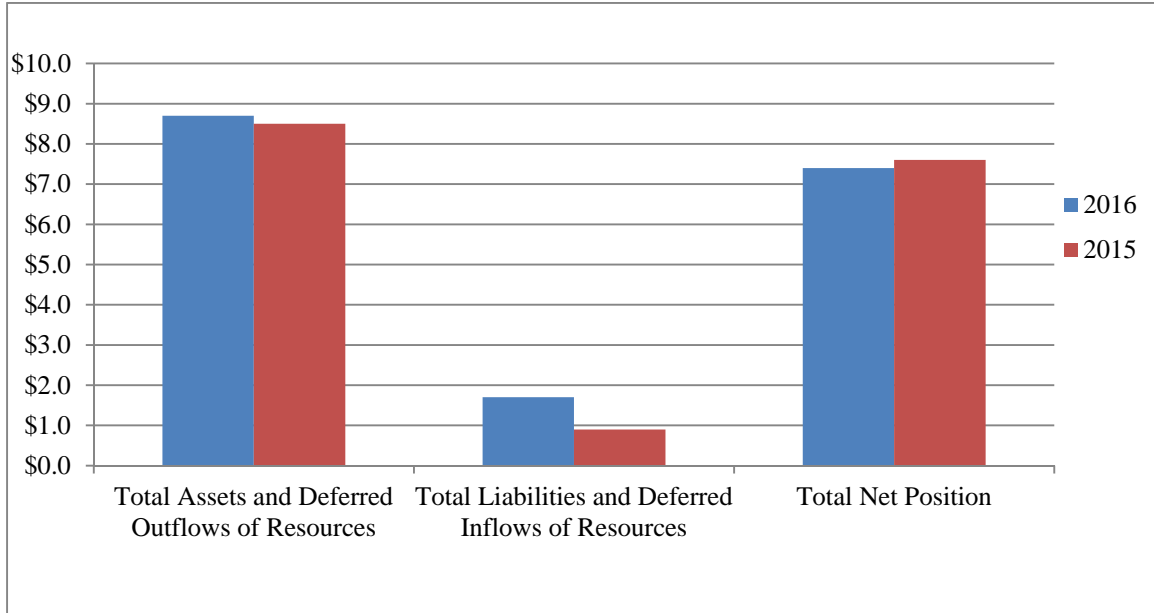
GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Council is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Council's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Governmental Activities – Net Position (In Millions)



As noted above, the Council's net position decreased by \$177,637. The OSC Cooperative Purchasing and School Bus Purchasing Program membership fees were waived by the Board in fiscal year 2016. New members of these programs did not pay these membership fees in fiscal year 2016 and the districts that were invoiced and paid in fiscal year 2016 were credited or refunded in fiscal year 2017. OSC added two new staff members in fiscal year 2016, which increased liabilities. Also, the AEPA rebate paid in fiscal year 2016 was lower than 2015.

Governmental Activities

The following table shows changes in net position for fiscal year 2016 compared to the prior fiscal year.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

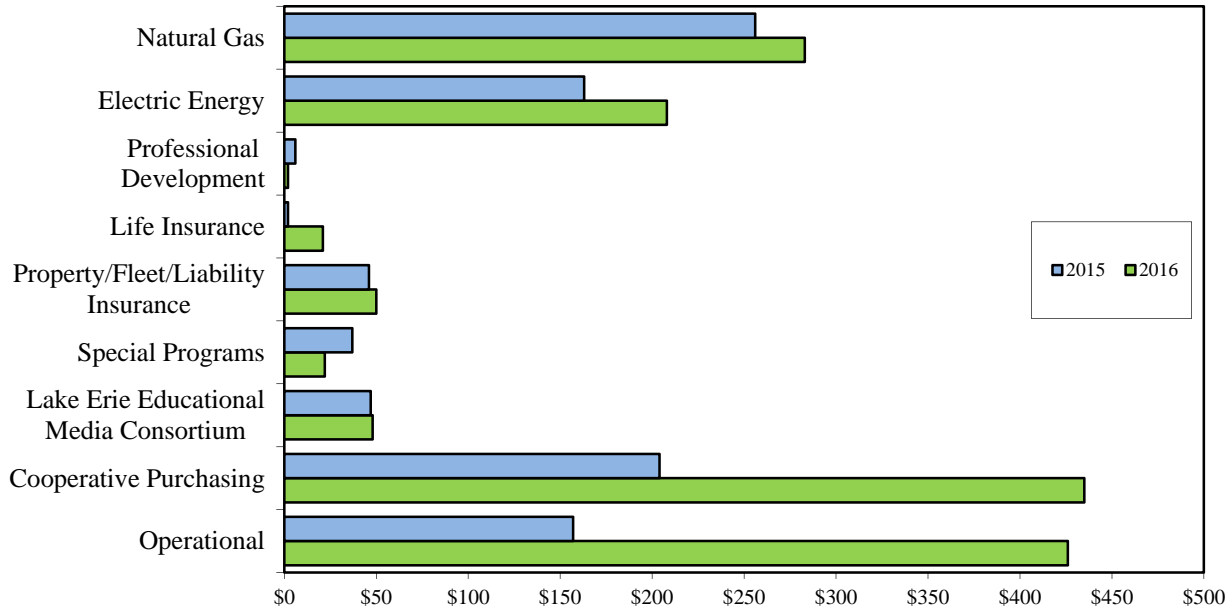
Table 2 - Changes in Net Position

	Governmental Activities		Change
	2016	2015	
Revenues			
Program Revenues:			
Charges for Services	\$1,283,045	\$1,297,314	\$14,269
General Revenues:			
Investment Earnings	75,060	50,751	(24,309)
Miscellaneous	1,250	0	(1,250)
Total General Revenues	76,310	50,751	(25,559)
<i>Total Revenues</i>	<u>1,359,355</u>	<u>1,348,065</u>	<u>(11,290)</u>
Program Expenses			
Operational	\$425,906	\$156,896	(\$269,010)
Cooperative Purchasing	434,645	203,578	(231,067)
Lake Erie Educational Media Consortium	47,572	47,066	(506)
Special Programs	21,736	37,011	15,275
Property/Fleet/Liability Insurance	50,491	46,227	(4,264)
Professional Development	2,536	6,167	3,631
Electrical Energy Program	207,883	162,884	(44,999)
Natural Gas Program	282,700	256,470	(26,230)
Life Insurance	21,363	2,415	(18,948)
Prepaid Account	42,160	200,000	157,840
Total Expenses	1,536,992	1,118,714	(418,278)
Change in Net Position	(177,637)	229,351	(406,988)
Net Position, Beginning of Year	7,595,884	7,366,533	229,351
Net Position, End of Year	<u>\$7,418,247</u>	<u>\$7,595,884</u>	<u>(\$177,637)</u>

Charges for services revenues decreased in fiscal year 2016 because the Council did not collect the administrative fee from GCSSA and members did not purchase as many prepaid computer technology program service hours.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Program Expenses – Governmental Activities
(in Thousands)



Program expenses increased in fiscal year 2016 because salary increases were provided to all employees. All employees advanced a step on the salary schedule. The Council also added a staff member with medical insurance in March 2016 and a second staff member in May 2016. The allocation of these expenses were spread among the programs.

Natural gas program expenses increased in fiscal year 2016 because salaries increased and a large portion of the distribution was allocated to the Natural Gas Program. Associated natural gas consumption was also higher in fiscal year 2016.

The electric energy program expenses increased in fiscal year 2016 as the result of increased salary increases and distribution allocated to the Electric Energy Program.

The Property/Fleet/Liability Insurance program expenses increased in fiscal year 2016 due to salary increases and distribution allocated to the Property/Fleet/Liability Insurance Program.

Special Programs expenses decreased because members purchased less computer technology service hours in fiscal year 2016.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Analysis of the Governmental Fund

Governmental Fund Information about the Council's governmental fund starts on page 16. This fund uses the modified accrual basis of accounting. The Council only has one governmental fund, the general fund, which is the chief operating fund of the Council. The general fund had total revenues of \$1,359,355 and expenditures of \$1,502,462. The total general fund balance decreased by \$143,107 for fiscal year 2016. Of the \$8,226,269 fund balance, \$207,977 is nonspendable and \$8,018,292 is unassigned. As a measure of the general fund's liquidity, it may be useful to compare expenditures to unassigned fund balance.

Capital Assets

During fiscal year 2016, the Council acquired \$5,846 in new capital assets, offset by a year's depreciation.

Table 3 - Capital Assets (Net of Accumulated Depreciation)

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Furniture and Equipment	\$28,154	\$27,048

The Council continued its ongoing commitment to maintaining and improving its capital assets. For more information on the Council's capital assets, see Note 8.

Long-Term Obligations

At June 30, 2016, the Council had no outstanding bonded long-term debt. The long-term liabilities listed in Table 1 are those accumulated for compensated absences and net pension liability. For additional information on long-term obligations, see Note 9 to the basic financial statements.

Current Issues Affecting Financial Condition

The finances of the Council are dependent upon school district membership dues, and participation of school districts and municipalities in various programs offered through the Council for which the Council charges fees. OSC membership has grown to 200 school districts in 33 counties. The municipalities, private schools, universities and libraries cannot join the Council, but can participate in the programs offered by the Council by joining as an Affiliate Member. There are 16 Affiliate Members.

The mission of the Council is to provide school districts the opportunity to buy products and services at significantly reduced prices. The Council has negotiated significant savings for school districts to purchase natural gas, electricity, various types of insurance, and various types of supplies and equipment and software subscriptions. In addition to the Council's annual membership fee, members are charged fees to participate in the Lake Erie Educational Media Consortium (LEEMC), Natural Gas, Computer Technology Services, Time Clock, Electronic Vendor Audit System and Electronic Payroll Audit System (eVAS/ePAS), Life Insurance, Property, Fleet and General Liability Insurance (the fee was waived for fiscal year 2016), Cooperative Purchasing (the fees were waived for fiscal year 2016) and School Bus Purchasing (the fees were waived for fiscal year 2016). Changes in the number of members participating in any of these programs will affect the total revenue of the Council. The Council also receives a commission from vendors based on purchases from members.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The Council also receives revenue from FirstEnergy for the Power4Schools Electric Program. The revenue is based on the kwh delivered to the member school districts and from AEPA, a 26 state cooperative purchasing organization, that provides revenue to each participating state for member purchases from awarded contracts. AEPA issues payment to the Ohio Council of Educational Purchasing Consortia (OCEPC) and they distribute payment to each regional cooperative each year. The total AEPA payment is divided by all the total of all Ohio cooperatives student enrollment to determine a per student amount. Then, the per student amount is multiplied by each cooperatives student count to determine the amount distributed to each regional cooperative.

Contacting the Council's Financial Management

This financial report is designed to provide our members, investors and creditors with a general overview of the Council's finances and to show the Council's accountability for money it receives. If you have questions about this report or need additional financial information, contact William Zelei, Executive Director, at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

Ohio Schools Council
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,104,161
Accounts Receivable	49,483
Accrued Interest Receivable	12,602
Prepaid Items	205,872
Materials and Supplies Inventory	2,105
Depreciable Capital Assets	28,154
<i>Total Assets</i>	8,402,377
Deferred Outflows of Resources	
Pension	298,832
Liabilities	
Accounts Payable	10,077
Accrued Wages and Benefits Payable	55,007
Intergovernmental Payable	82,870
Vacation Benefits Payable	14,812
Long-Term Liabilities:	
Due Within One Year	21,066
Due In More Than One Year:	
Net Pension Liability (See Note 10)	1,044,153
Other Amounts Due In More Than One Year	20,368
<i>Total Liabilities</i>	1,248,353
Deferred Inflows of Resources	
Pension	34,609
Net Position	
Investment in Capital Assets	28,154
Unrestricted	7,390,093
<i>Total Net Position</i>	\$7,418,247

See accompanying notes to the basic financial statements

Ohio Schools Council
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Governmental Activities
Governmental Activities			
Operational	\$425,906	\$341,187	(\$84,719)
Cooperative Purchasing	434,645	368,445	(66,200)
Lake Erie Educational Media Consortium	47,572	40,326	(7,246)
Special Programs	21,736	18,425	(3,311)
Property/Fleet/Liability Insurance	50,491	42,801	(7,690)
Professional Development	2,536	2,150	(386)
Electrical Energy Program	207,883	176,221	(31,662)
Natural Gas Program	282,700	239,642	(43,058)
Life Insurance	21,363	18,109	(3,254)
Prepaid Account	42,160	35,739	(6,421)
<i>Totals</i>	<u>\$1,536,992</u>	<u>\$1,283,045</u>	<u>(253,947)</u>
General Revenues			
Investment Earnings			75,060
Miscellaneous			<u>1,250</u>
<i>Total General Revenues</i>			<u>76,310</u>
Change in Net Position			(177,637)
<i>Net Position Beginning of</i>			<u>7,595,884</u>
<i>Net Position End of Year</i>			<u>\$7,418,247</u>

See accompanying notes to the basic financial statements

Ohio Schools Council

Balance Sheet

Governmental Fund

June 30, 2016

	<u>General</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,104,161
Accounts Receivable	49,483
Accrued Interest Receivable	12,602
Prepaid Items	205,872
Materials and Supplies Inventory	<u>2,105</u>
<i>Total Assets</i>	<u><u>\$8,374,223</u></u>
Liabilities	
Accounts Payable	\$10,077
Accrued Wages and Benefits Payable	55,007
Intergovernmental Payable	<u>82,870</u>
<i>Total Liabilities</i>	<u>147,954</u>
Fund Balances	
Nonspendable	207,977
Unassigned	<u>8,018,292</u>
<i>Total Fund Balances</i>	<u>8,226,269</u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$8,374,223</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council
*Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2016*

Total Governmental Funds Balance	\$8,226,269
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	28,154
Vacation benefits payable is not expected to be paid with expendable available resources and therefore not reported in the fund.	(14,812)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the fund.	(41,434)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental fund:	
Deferred Outflows - Pension	298,832
Net Pension Liability	(1,044,153)
Deferred Inflows - Pension	<u>(34,609)</u>
Total	<u>(779,930)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$7,418,247</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2016

	General
Revenues	
Interest	\$75,060
Charges for Services	1,283,045
Miscellaneous	1,250
<i>Total Revenues</i>	1,359,355
Expenditures	
Current:	
Operational	391,376
Cooperative Purchasing	434,645
Lake Erie Educational Media Consortium	47,572
Special Programs	21,736
Property/Fleet/Liability Insurance	50,491
Professional Development	2,536
Electrical Energy Program	207,883
Natural Gas Program	282,700
Life Insurance	21,363
Prepaid Account	42,160
<i>Total Expenditures</i>	1,502,462
<i>Net Change in Fund Balance</i>	(143,107)
<i>Fund Balance Beginning of Year</i>	8,369,376
<i>Fund Balance End of Year</i>	\$8,226,269

See accompanying notes to the basic financial statements

Ohio Schools Council
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balance -Total Governmental Funds (\$143,107)

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Asset Additions	5,846	
Current Year Depreciation	<u>(4,640)</u>	1,206

In the statement of activities the loss on the disposal of capital assets is reported. (100)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Vacation Benefits Payable	(8,514)	
Compensated Absences	<u>(2,599)</u>	
Total		(11,113)

Contractually required contributions are reported as expenditures in the governmental fund; however, the statement of net position reports these amounts as deferred outflows. 90,287

Except for the amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (114,810)

Change in Net Position of Governmental Activities (\$177,637)

See accompanying notes to the basic financial statements

Ohio Schools Council
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,952,973
Accounts Receivable	12,053
Accrued Interest Receivable	<u>9,257</u>
<i>Total Assets</i>	<u><u>\$5,974,283</u></u>
Liabilities	
Accounts Payable	\$5,966,444
Undistributed Monies	<u>7,839</u>
<i>Total Liabilities</i>	<u><u>\$5,974,283</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Note 1 – Description of the Council and Reporting Entity

The Ohio Schools Council, Cuyahoga County, Ohio, (the Council) is a jointly governed organization established under Chapter 167, Revised Code, in 1986. The Council was created by school districts for the purpose of saving money through volume purchases. The Council consists of 200 school districts in 33 counties throughout Ohio. Each school district member superintendent serves as a representative of the Assembly. The Assembly is the legislative body of the Council. The Council operates under a nine-member Board of Directors (the Board). Five members of the Board are selected by the Assembly from among the member districts, and the remaining four are the representatives of the president, president-elect, past president and treasurer of the Greater Cleveland School Superintendents' Association. The Board is the policy making authority of the Council. The Board meets monthly September through June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board.

Description of the Entity

The Council provides services primarily in the area of procurement. The Council negotiates pricing for its members on consumable products such as maintenance and office/classroom supplies, books, buses, and GPS equipment, and services such as computer and network repair, shipping, electronics recycling, electronic vendor audit systems (eVAS), time clock and payroll management, workers compensation, electricity, non-sufficient fund collection, outbound calling, online training, legal hotline, leadership searches, waste and recycling, property, fleet and liability insurance, employee life insurance, natural gas and energy efficiency.

Members and other not-for-profit entities contribute amounts sufficient to cover substantially all annual costs of the Council through program administration fees. Upon termination of the Council, surpluses remaining in any Council Program, after payment of all known obligations, will be distributed to the participating members in the manner provided in the Program Agreement. After payment of all known obligations of the Council, other than those incurred in connection with any program, any surplus remaining in the Council general fund shall be distributed among the members in the same proportion to the total remaining as the amount of each member's total share of operating costs incurred.

The reporting entity for the Council is comprised of all departments, boards and agencies that are not legally separate from the Council and any other organizations that would need to be included to ensure that the financial statements of the Council are not misleading.

Component units are legally separate organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization's governing board and (1) the Council is able to significantly influence the programs or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization's resources; the Council is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Council is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Council in that the Council approves the budget, the issuance of debt or the levying of taxes and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The Council has no component units.

The Council participates in two jointly governed organizations. These organizations are Connect and the Power 4 Schools Program. These organizations are presented in Note 14.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Council have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Council's accounting policies are described as follows.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Council as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the Council that are governmental and those that are considered business-type. The Council, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the Council at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Council's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or 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. Revenues which are not classified as program revenues are presented as general revenues of the Council, within certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the Council.

Fund Financial Statements During the fiscal year, the Council segregates transactions related to certain 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 Council at this more detailed level. The Council's general fund is its only governmental fund.

Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. A fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the Council's funds are classified as either governmental or fiduciary.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Governmental Funds Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be repaid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the Council's only governmental fund:

General Fund The general fund is the general operating fund. It is used to account for and report all financial resources except those required to be accounted for and reported in another fund.

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, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Council under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Council's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Council uses an agency fund for the following types of services:

Natural Gas Program accounts for assets held by the Council as an agent for member entities involved in the Council-administered natural gas program.

Property/Fleet/Liability Insurance accounts for assets held by the Council as an agent for member entities involved in the Council-administered property/fleet/liability insurance program premiums.

Life Insurance accounts for assets held by the Council as an agent for member entities life insurance program premiums.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Council are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Fund Financial Statements The general fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The general fund uses the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The Council defines available as expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the Council receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Council must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Council on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest and charges for services.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

The Council is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Council passes an annual budget prior to the beginning of the fiscal year. Appropriations and subsequent amendments are approved by the Board of Directors during the year as required. See supplemental information on page 47.

Cash and Cash Equivalents

Cash received by the Council is pooled in a central bank account. Monies for all funds are maintained in this account. Individual fund integrity is maintained through the Council's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2016, the Council's investments were limited to federal farm credit bank bonds, federal home loan mortgage corporation bonds, federal national mortgage association bonds and STAR Ohio.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption.

Capital Assets

All capital assets of the Council are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Council was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their acquisition values as of the date received. The Council maintains a capitalization threshold of five hundred dollars. The Council does not possess 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 an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Description	Governmental Activities Estimated Lives
Furniture and Equipment	5 - 40 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Council will compensate the employees for the benefits through paid time off or some other means. The Council records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Up to sixty vacation days may be accumulated.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Council has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Council's termination policy. The Council records a liability for accumulated unused sick leave for all employees after five years of service.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, vacation benefits, compensated absences and net pension liability, that will be paid from the governmental fund are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use 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 are available.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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 (resolution) of the Council Board of Directors. Those committed amounts cannot be used for any other purpose unless the Council Board of Directors removes or changes the specified use by taking the same type of action (resolution) 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 Council for specific purposes but do not meet the criteria to be classified as restricted or committed. State statute authorizes the Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

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.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Council, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Council, deferred inflows of resources includes pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 10).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Note 3 – Change in Accounting Principle

For fiscal year 2016, the Council implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Council’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the Council’s financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the Council’s financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The Council participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The Council incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Service Center’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Council is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the general fund are presented below:

Fund Balance	General
<i>Nonspendable:</i>	
Inventory	\$2,105
Prepays	205,872
Total Nonspendable	207,977
Unassigned	8,018,292
<i>Total Fund Balance</i>	<i>\$8,226,269</i>

Note 5 – Cash and Investments

Monies held by the Council are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Council treasury. Active monies must be maintained either as cash in the Council treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Council can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the Council will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$404,057 of the Council's bank balance of \$6,961,707 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' 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.

The Council has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Council or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Investments are reported at fair value. As of June 30, 2016, the Council had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value:				
Federal Home Loan Mortgage Corporation Bonds	\$1,000,310	Less than Two Years	AA+	13.92 %
Federal Home Loan Mortgage Corporation Bonds	1,181,582	Less than Five Years	AA+	16.43
Federal Farm Credit Bank Bonds	751,635	Less than Three years	AA+	10.46
Federal National Mortgage Association Bonds	750,518	Less than Three years	AA+	10.44
Net Asset Value Per Share:				
STAR Ohio	3,505,030	Average 48.6 Days	AAAm	N/A
<i>Totals</i>	<u><u>\$7,189,075</u></u>			

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

The Council categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the Council's recurring fair value measurements as of June 30, 2016. All of the Council's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the Council's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the Council's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk The Council places no limit on the amount it may invest in any one issuer.

Note 6 – Receivables

Receivables at June 30, 2016 consisted of accounts and accrued interest receivable. All receivables are considered collectible in full within one year.

Note 7 – Employee Benefits

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from board policy and State laws. Only contracted personnel who are under a 260-day contract are eligible for vacation time.

Staff employed with a 260-day contract is entitled to the following vacation day schedule:

- Twenty (20) days per year (1st through 15th year)
- Twenty (25) days per year (16th through 25th year)
- Thirty (30) days per year (26th through 35 or more years)

Days in the above schedule refer to workdays. Vacation time will be pro-rated based on the employee's start date and end date in the first and last years of employment. Vacation may only be accumulated up to 60 days. All vacation time shall be approved in advance by their immediate supervisor.

Upon retirement or voluntary separation from the organization, accumulated sick leave may be paid to the employee on the following basis:

- After five years of continuous employment with the Council, the employee is entitled to receive payment at his/her per diem rate of up to one-fourth of accumulated sick leave not to exceed 15 days.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

- After ten years of continuous service with the Council, the employee is entitled to receive payment of his/her per diem rate up to one-fourth of accumulated sick leave not to exceed 30 days.
- After twenty years of continuous employment with the Council, the employee is entitled to receive payment at his/her per diem rate of up to one-fourth of accumulated sick leave not to exceed 45 days.

Payment to the employee of this benefit shall eliminate all accumulated sick leave. Employees who retire or take a voluntary separation from the organization shall request severance pay within three months of leaving the Council.

Sick leave shall be accrued according to the following schedule for contract employees:

260	contract days	15	sick days per year
200	contract days	10	sick days per year
150	contract days	8	sick days per year
70	contract days	5	sick days per year
60	contract days	3	sick days per year

Sick leave may accumulate over time to equal the number of work days as found in each employee's annual contract.

Hourly employees accrue one hour of sick leave for every 20 hours worked up to a maximum of 900 hours of sick leave. Every eight hours of sick leave will be converted to one day of unused sick leave for severance purposes.

Insurance Benefits

The Council has elected to provide employee medical, dental and life insurance benefits through a private carrier.

For individuals employed with 260-day contracts, prior to August 1, 2005, the Council shall pay 100 percent of the cost of medical and dental insurance.

For individuals employed with a 210-day contract after August 1, 2005, the Council shall pay 80 percent of the cost of medical and dental insurance.

The Council pays up to \$818.30 per month towards the cost for the medical and dental insurance provided for the Executive Director and Assistant Executive Director. In lieu of medical and dental insurance, the Executive Director and/or Assistant Executive Director may choose to receive a stipend of \$818.30 per month for fiscal year 2015. This stipend may be taken either as reimbursement of medical expenses or deposited in an annuity. This stipend is not considered part of the salary for the positions.

The Council provides Health Savings Accounts of \$3,000 per year to employees enrolled in medical insurance.

The Council pays for life insurance in the amount of 2.5 times the employee's annual salary.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

In lieu of vision insurance, the Council reimburses employees up to \$200 per year for vision related expenses, such as eye examination, glasses, and/or contacts, upon submission of receipts.

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance 7/1/2015	Addition	Deletion	Balance 6/30/2016
Governmental Activities				
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	\$43,355	\$5,846	(\$1,000)	\$48,201
Less Accumulated Depreciation	(16,307)	(4,640)	900	(20,047)
Governmental Activities Capital Assets, Net	<u>\$27,048</u>	<u>\$1,206</u>	<u>(\$100)</u>	<u>\$28,154</u>

Depreciation expense was charged to the operational function.

Note 9 – Long Term Obligations

The changes in the Council long-term obligations during fiscal year 2016 were as follows:

	Balance 7/1/2015	Additions	Deductions	Balance 6/30/2016	Amount Due in One Year
Governmental Activities					
Compensated Absences	\$38,835	\$17,697	(\$15,098)	\$41,434	\$21,066
Net Pension Liability	707,013	337,140	0	1,044,153	0
<i>Total Long-Term Liabilities</i>	<u>\$745,848</u>	<u>\$354,837</u>	<u>(\$15,098)</u>	<u>\$1,085,587</u>	<u>\$21,066</u>

Note 10 – Defined Benefit Pension Plan

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Council’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Ohio Revised Code limits the Council’s obligation for this liability to annually required payments. The Council cannot control benefit terms or the manner in which pensions are financed; however, the Council does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Council non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The Council's contractually required contribution to SERS was \$90,287 for fiscal year 2016. Of this amount \$7,425 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's proportion of the net pension liability was based on the Council's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS
Proportion of the Net Pension Liability Prior Measurement Date	0.01397000%
Proportion of the Net Pension Liability Current Measurement Date	0.01830000%
Change in Proportionate Share	0.00433000%
Proportionate Share of the Net Pension Liability	\$1,044,153
Pension Expense	\$114,809

At June 30, 2016, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS
Deferred Outflows of Resources	
Differences between expected and actual experience	\$16,812
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	191,733
School District contributions subsequent to the measurement date	90,287
Total Deferred Outflows of Resources	\$298,832
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$34,609

\$90,287 reported as deferred outflows of resources related to pension resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Fiscal Year Ending June 30:	<u>SERS</u>
2017	\$54,032
2018	54,032
2019	54,032
2020	<u>11,840</u>
Total	<u><u>\$173,936</u></u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Council's proportionate share of the net pension liability	\$1,448,048	\$1,044,153	\$704,283

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Council's net pension liability is expected to be significant.

Note 11 – Postemployment Benefits

Health Care Plan Description - The Council contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources. Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statute provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the Council's surcharge obligation was \$0.

The Council's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$3,860 and \$2,056, respectively. The full amount has been contributed for fiscal years 2015 and 2014.

Note 12 – Lease Obligations

The Council entered into a new lease agreement with the Cuyahoga County Educational Service Center for the term of November 1, 2013 through October 31, 2018. The new rental space is located at 6393 Oak Tree Boulevard, Suite 377. The terms of the lease include an annual payment of \$63,940 per year. The Council began making payments on November 1, 2013 and prepaid for the entire five year lease.

Note 13 – Risk Management

Workers' Compensation

The Council pays the Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Property and Liability

The Council is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year the Council contracted with Todd Associates, Incorporated for all insurance. The types of coverage and deductibles are as follows:

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Type of Coverage	Coverage	Deductible
Director's and Officers' Liability	\$2,000,000	\$1,000
Employment Practices Liability	2,000,000	2,500
Employer's Liability (Ohio Stop Gap)	1,000,000	None
General Liability	1,000,000	None
Commercial Property	150,000	1,000
Public Employee Blanket Bond	1,000,000	2,500
Forgery or Alteration Coverage	1,000,000	2,500
Computer Fraud	500,000	2,500
Funds Transfer Fraud	500,000	2,500
Errors and Omissions	1,000,000	2,500

Settled claims have not exceeded this commercial coverage in any of the past three years.

Note 14 – Jointly Governed Organizations

Connect

Connect is a jointly governed organization among sixteen school districts in Cuyahoga County and the Council. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports Connect based on a per pupil charge. The Council did not make any contributions to Connect during the fiscal year 2016.

The Governing Board consists of superintendents of each participating school district and the Council. The degree of control exercised by any participating school district is limited to its representation of the Governing Board. The Board exercises total control over the operation of the organization including budgeting, appropriating, contracting and designating management. To obtain a copy of Connect's financial statements, write to the Service Center at 6393 Oak Tree Boulevard., Independence, Ohio 44131.

Power 4 Schools Program

The Council participates in the Power 4 Schools Program., a jointly governed organization, which provides the economical supply of electricity to Ohio school districts to maximize savings on the purchase of electricity. Power 4 Schools is governed by a four-member Electricity Committee appointed by a board consisting of the executive directors of the Ohio Schools Council, the Buckeye Association of School Administrators (BASA), the Ohio Association of School Business Officials (OASBO), and Ohio School Boards Association (OSBA). The degree of control exercised by any participating programs is limited to its representation of the Board. The Committee members will serve two year terms. The Board oversees and manages the operation of the program. The Council contributed \$15,038 during fiscal year 2016 for the operation of Power 4 Schools. Financial information can be obtained by contacting Jim Rowan at Ohio Association of School Business Officials, 8050 North High Street, Suite 170, Columbus, Ohio 43235.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

Note 15 – Natural Gas Program

The Ohio Schools Council entered into a contract with CMS Energy Corporation, of Jackson, Michigan in 1999 to supply natural gas to participating school districts for 12 years. Under the agreement, the City of Hamilton, Ohio prepaid CMS for 44 billion cubic feet of gas to be delivered from November 1, 1999 to October 31, 2011 by issuing \$89,450,000 in bonds. This transaction locked in a twelve-year firm supply of natural gas at favorable market rates for the benefit of all participants. In August 2006 CMS Energy Corporation opted to no longer participate in the prepaid gas program and defeased the outstanding bonds. \$58,455,232 was placed on deposit with US Bank a sufficient amount of government securities to pay off all the outstanding bonds as they came due November 2011. This prepaid gas program was terminated during fiscal year 2007.

In August 2009, all districts that participated in the prepaid natural gas program on August 24, 2006 were sent a check for “surplus” funds totaling \$2.8 million. The surplus funds were the result of the settlement with CMS Energy Management Corporation when they were released from their contract as supplier. Each district’s payment was based on actual gas consumption during the program by the district divided by the total volume of gas consumed by all the eligible participants during the term of the program.

These “surplus” funds were kept separate from the Council’s funds and all interest earned by these funds were deposited back into the account. The Council was reimbursed \$100,000 from these funds for payment of costs incurred by the Council and attributable to this program and the cost of creating a new program.

An interim supply agreement was approved with Exelon Energy for one year beginning August 2006 that was renewed in October 2007 and was effective until September 30, 2008. Energy USA was selected as the new natural gas supplier and program manager beginning October 1, 2008 to September 30, 2010. In June 2010, the Council entered into an agreement with Compass Energy Gas Services LLC to be the natural gas supplier and program manager beginning October 1, 2010 through March 31, 2013. The contract with Compass Energy Gas Services LLC was extended for an additional three years beginning April 1, 2013 through March 31, 2016. The contract with Compass Energy Gas Services was extended for an additional 15 months until June 30, 2017. The original members of the prepaid natural gas program continued to participate in the natural gas aggregation program with no new program agreement.

New members that joined from August 2006 to June 2008 used the program agreement and resolution to secure board approval to participate. Beginning in June 2008 a revised agreement was used by new members to secure board approval to participate. Both agreements have an indefinite term and provide the option to withdraw from the program by sending written notification by certified mail on or before September 15 of the fiscal year proceeding the fiscal year in which the participant wishes to withdraw from the program.

The Council provides participating school districts the ability to purchase natural gas at reduced rates. There are currently 154 members in the Program. The participants make monthly payments based on estimated usage and estimated prices. Each August, these estimated payments are compared to their actual usage and actual prices for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in August until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the August monthly estimated billing.

Required Supplementary Information

Ohio Schools Council
Required Supplementary Information
Schedule of the Council's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Three Fiscal Years (1)**

	2016	2015	2014
Council's Proportion of the Net Pension Liability	0.01830000%	0.01397000%	0.01397000%
Council's Proportionate Share of the Net Pension Liability	\$1,044,153	\$707,013	\$830,751
Council's Covered-Employee Payroll	\$457,807	\$409,372	\$387,305
Council's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	228.08%	172.71%	214.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the Council's measurement date which is the prior fiscal year end.

This page is intentionally left blank.

Ohio Schools Council
Required Supplementary Information
Schedule of Council Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$90,287	\$60,339	\$56,739	\$53,603
Contributions in Relation to the Contractually Required Contribution	<u>(90,287)</u>	<u>(60,339)</u>	<u>(56,739)</u>	<u>(53,603)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$644,907	\$457,807	\$409,374	\$387,305
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$56,314	\$51,359	\$60,838	\$41,705	\$60,243	\$55,367
<u>(56,314)</u>	<u>(51,359)</u>	<u>(60,838)</u>	<u>(41,705)</u>	<u>(60,243)</u>	<u>(55,367)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$418,691	\$408,586	\$449,321	\$423,831	\$613,473	\$518,418
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

Additional Supplementary Information

Additional Supplementary Information

Ohio Schools Council

*Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest	\$46,715	\$47,724	\$55,114	\$7,390
Charges for Services	1,224,898	1,300,385	1,262,791	(37,594)
Miscellaneous	1,250	1,250	1,250	0
<i>Total Revenues</i>	<u>1,272,863</u>	<u>1,349,359</u>	<u>1,319,155</u>	<u>(30,204)</u>
Expenditures				
Current:				
Operational	334,943	347,901	310,085	37,816
Cooperative Purchasing	202,262	194,148	413,951	(219,803)
Lake Erie Educational Media Consortium	47,395	47,301	46,700	601
Special Programs	25,500	30,106	20,657	9,449
Property/Fleet/Liability Insurance	76,077	76,167	49,649	26,518
Professional Development	1,380	2,268	912	1,356
Electrical Energy Program	249,145	250,290	180,887	69,403
Natural Gas Program	300,722	301,774	271,774	30,000
Life Insurance	32,580	22,528	20,731	1,797
Prepaid Account	80,000	80,000	80,000	0
<i>Total Expenditures</i>	<u>1,350,004</u>	<u>1,352,483</u>	<u>1,395,346</u>	<u>(42,863)</u>
<i>Net Change in Fund Balance</i>	(77,141)	(3,124)	(76,191)	(73,067)
<i>Fund Balance Beginning of Year</i>	8,127,825	8,127,825	8,127,825	0
Prior Year Encumbrances Appropriated	23,944	23,944	23,944	0
<i>Fund Balance End of Year</i>	<u>\$8,074,628</u>	<u>\$8,148,645</u>	<u>\$8,075,578</u>	<u>(\$73,067)</u>

See accompanying notes to the supplemental information

Ohio Schools Council
Notes to the Additional Supplementary Information
For the Fiscal Year Ended June 30, 2016

Note 1 – Budgetary Basis of Accounting

Budgetary Process

The Council is no longer required under State statute to file budgetary information with the State Department of Education. However, the Council's Board does follow the budgetary process for control purposes. This is done by adopting an annual appropriation resolution which is the Board's authorization to spend resources. The resolution sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the object level.

The Executive Director reviews the prior year's revenues and factors in the wages expected to be charged for the services offered in order to determine the estimated resources for the current year. The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Council Executive Director. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts of the estimated resources approved by the Board when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts of the estimated resources that was in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Budgetary Basis of Accounting

While the Council is reporting financial position, results of operations and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
3. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Ohio Schools Council
Notes to the Additional Supplementary Information
For the Fiscal Year Ended June 30, 2016

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statements on a fund type basis for the general fund.

	<u>General</u>
GAAP Basis	(\$143,107)
Net Adjustment for Revenue Accruals	(23,377)
Beginning Unrecorded Cash	11,760
Ending Unrecorded Cash	(28,583)
Net Adjustment for Expenditure Accruals	<u>107,116</u>
Budget Basis	<u><u>(\$76,191)</u></u>

This page is intentionally left blank.



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*

Ohio Schools Council
Cuyahoga County
6393 Oak Tree Boulevard
Independence, Ohio 44131

To the Board of Directors:

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, the major fund, and the aggregate remaining fund information of the Ohio Schools Council, Cuyahoga County, (the Council) as of and for the year ended June 30, 2016, 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 24, 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 opinions 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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 24, 2017



Dave Yost • Auditor of State

OHIO SCHOOLS COUNCIL

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