



**Auditor of State
Betty Montgomery**

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
Ohio Schools Council
Cuyahoga County
6133 Rockside Road, Suite 10
Independence, Ohio 44131

We have audited the accompanying financial statements of the Ohio Schools Council, Cuyahoga County, Ohio, (the Council) as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Council prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Ohio Schools Council, Cuyahoga County, Ohio, as of June 30, 2004, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2005 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

March 18, 2005

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**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Charges for Services	\$16,427	\$0	\$16,427
Intergovernmental	13,028	4,024	17,052
Earnings on Investments	11,223	13	11,236
Administrative Fees	576,475	0	576,475
Program/Premiums	90,358	0	90,358
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	707,511	4,037	711,548
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Salaries and Benefits	395,222	6,322	401,544
Purchased/Contracted Services	251,445	0	251,445
Supplies	37,367	9,102	46,469
Capital Outlay	7,560	0	7,560
Refunds/Other	18,313	849	19,162
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	709,907	16,273	726,180
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(2,396)	(12,236)	(14,632)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, July 1, 2003	3,705,046	12,236	3,717,282
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, June 30, 2004	<u>\$3,702,650</u>	<u>\$0</u>	<u>\$3,702,650</u>

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

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2004**

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts:	
Earnings on Investments	114,978
Program/Insurance Premiums	28,163,907
Charges for Services	364,543
Miscellaneous	748,539
Total Non-Operating Cash Receipts	29,391,967
Non-Operating Cash Disbursements:	
Purchased/Contracted Services	23,386,479
Refunds/Other	152,759
Total Non-Operating Cash Disbursements	23,539,238
Excess of Non-Operating Cash Receipts Over/(under) Non-Operating Cash Disbursements	5,852,729
Fund Cash Balances, July 1, 2003	3,059,080
Fund Cash Balances, June 30, 2004	\$8,911,809

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

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the 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 is the primary government and consists of ninety-three school districts throughout Ohio. The Council operates under a nine-member Board of Directors (the Board) and provides services primarily in the areas of procurement and employee life insurance benefits. The Council also negotiates on behalf of its members and other not-for-profit entities to contract for property, fleet and casualty insurance, supplies, books, buses, natural gas, electrical energy; and provides substance abuse education through its Project Care program. The Project Care program ended during fiscal year 2004.

The Board has appointed an Executive Secretary/Treasurer who is responsible for receiving contributions, investing available funds, and carrying out such other responsibilities as designated by the Board.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Investments in federal securities are valued at fair market value.

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Council had the following significant Special Revenue Fund:

Project Care Fund: This fund is used to account for project activity with member districts to develop and implement Student Assistance Programs to address violence, alcohol, and other drug problems in schools and communities.

3. Fiduciary Funds (Agency Funds)

Funds for which the Council is acting in an agency capacity are classified as agency funds. The Council had the following significant Agency Funds:

Prepaid Natural Gas Program Fund: This fund is used to account for assets, held by the Council as an agent for member entities involved in the Council's administered prepaid natural gas program, which are remitted to a trust fund which services the debt issued by the City of Hamilton, Ohio for the pre-purchase of natural gas for the program.

Property/Fleet Insurance Fund: This fund is used to account for assets held by the Council as an agent for member entities involved in the Council's administered property/fleet insurance purchasing program.

Life Insurance Fund: This fund is used to account for assets held by the Council as an agent for member entities life insurance premiums.

E. 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 amendments thereto are approved by the Board of Directors during the year as required.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Council's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>
Demand deposits	\$1,124,159
Petty Cash	100
Total deposits	<u>1,124,259</u>
STAR Ohio	5,773,581
FHLB Bonds	3,722,695
FHLM Notes	<u>1,993,924</u>
Total investments	<u>11,490,200</u>
Total deposits and investments	<u>\$12,614,459</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: FHLB Bonds and FHLM notes are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Council's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. RETIREMENT SYSTEMS

The School Employees Retirement System of Ohio (SERS) is a state operated, cost sharing, multiple employer public employee retirement system. All employees of the Ohio Schools Council belong to SERS. SERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. SERS also provides survivor and disability benefits to vested employees.

Employees and the employer are required to contribute 10% and 14% of gross salaries, respectively. The Ohio Schools Council picks-up the 10% employee share for all employees and remits the required 24% one month in arrears. The total unpaid employee and employer portion as of June 30, 2004 equaled \$6,497.

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004
(Continued)**

4. RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Property and general liability:
- Director and officer liability
- Trustee and fiduciary liability

The Council also provides health insurance, dental and life insurance to its employees through a private carrier.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Board of Directors
Ohio Schools Council
Cuyahoga County
6133 Rockside Road, Suite 10
Independence, Ohio 44131

We have audited the accompanying financial statements of the Ohio Schools Council, Cuyahoga County, Ohio, (the Council) as of and for the year ended June 30, 2004, and have issued our report thereon dated March 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 18, 2005



**Auditor of State
Betty Montgomery**

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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
APRIL 14, 2005**