

***ASHTABULA COUNTY SCHOOLS COUNCIL OF
GOVERNMENTS
ASHTABULA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2004 & 2003



**Auditor of State
Betty Montgomery**

Ashtabula County Schools Council of Governments
1565 SR 167
PO Box 186
Jefferson, Ohio 44047

We have reviewed the *Report of Independent Accountants* of the Ashtabula County Schools Council of Governments, Ashland County, prepared by Charles E. Harris & Associates, Inc. for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the AOS permits.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 5, 2005

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ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
ASHTABULA COUNTY, OHIO
Audit Report
For the Years Ended June 30, 2004 & 2003

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REPORT OF INDEPENDENT ACCOUNTANTS

**Ashtabula County Schools Council of Governments
Jefferson, Ohio**

We have audited the accompanying financial statements of the Ashtabula County Schools Council of Governments (Council), as and for the years ended June 30, 2004 and 2003. 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 discussed more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes effective for the year ended June 30, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to reformat its statements. Since this Council does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended June 30, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2004 or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Ashtabula County Schools Council of Governments, Ashtabula County, as of June 30, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Council to included Management's Discussion and Analysis for the year ended June 30, 2004. The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 22, 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 grant agreements and other matters. While we did not opine on the internal control financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
August 22, 2005

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
ASHTABULA COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
General Fund
For the Year Ended June 30, 2004**

		2004
Receipts:		
Receipts from Member Districts	\$	13,134,713
Interest		38,732
Stop Loss Insurance Reimbursements		569,121
Voids/Refunds		64,040
COBRA Payments		22,880
Miscellaneous		596
		13,830,082
Total Receipts		
Disbursements:		
Payments to Third Party Administrators		12,945,504
Purchased Services		24,000
Insurance		350
General Government		4,400
Miscellaneous		558
		12,974,812
Total Disbursements		
Total Receipts Over/(Under)		
Disbursements		855,270
Fund Cash Balance, January 1		2,374,650
Fund Cash Balance, December 31	\$	3,229,920

See accompanying Notes to the Financial Statements.

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
ASHTABULA COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
General Fund
For the Year Ended June 30, 2003**

		2003
Receipts:		
Receipts from Member Districts	\$	11,374,825
Interest		37,095
Stop Loss Insurance Reimbursements		444,512
Voids/Refunds		95,310
Subrogation Refund		1,405
Miscellaneous		21
		11,953,168
Total Receipts		
Disbursements:		
Payments to Third Party Administrators		11,066,429
Purchased Services		22,872
Insurance		350
Audit Costs		8,609
General Government		1,350
Miscellaneous		4,025
		11,103,635
Total Disbursements		
Total Receipts Over/(Under)		
Disbursements		849,533
Fund Cash Balance, January 1		1,525,117
Fund Cash Balance, December 31	\$	2,374,650

See accompanying Notes to the Financial Statements.

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended June 30, 2004 & 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A DESCRIPTION OF THE ENTITY

Ashtabula County Schools Council of Governments, Ashtabula County, (the Council) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code. The Council is a shared risk pool as defined by Government Accounting Standards Board Statement No. 10. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees in accordance with the Council by-laws.

The Council is directed by a Governing Board, consisting of the Superintendents or designee of the participating school districts. As of June 30, 2004 there were seven participating members of the Council.

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

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

B BASIS OF ACCOUNTING

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

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

C CASH AND INVESTMENTS

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

D FUND ACCOUNTING

The Council maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Council maintains a general fund to account for its expendable financial resources and related current expenses.

ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended June 30, 2004 & 2003

E BUDGETARY PROCESS

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2004 budgetary activity appears in Note 3.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand Deposits	\$ 1,229,920	\$ 874,650
Certificates of Deposit	2,000,000	1,500,000
Total Deposits and Investments	\$ 3,229,920	\$ 2,374,650

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

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS
ASHTABULA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended June 30, 2004 & 2003**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2003 and 2004 were as follows:

2003 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$11,953,168	\$ 11,953,168	\$ -

2003 Budgeted vs Actual Expenditures			
Fund Type	Appropriation	Actual Expenditures	Variance
General	\$11,103,635	\$ 11,103,635	\$ -

2004 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,594,370	\$ 13,830,082	\$ 235,712

2003 Budgeted vs Actual Expenditures			
Fund Type	Appropriation	Actual Expenditures	Variance
General	\$12,974,812	\$ 12,974,812	\$ -

4. RISK MANAGEMENT

The Council contracts with a third party administrator, Anthem Benefit Administrators, Inc. for the years ended June 30, 2003 and 2004, to process and pay health benefit claims incurred by its members. Payments are made by members to the Council for monthly health insurance premiums, monthly stop-loss premiums, and administrative charges. The Fiscal Officer approves monthly payments to the third party administrators for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of the Council members. Member school districts whose claims exceed premiums paid, will carry a negative fund balance for which interest is assessed on. When the balance is no longer negative, interest will no longer be assessed. As of June 30, 2003 and 2004, there were 2 and 1 member school districts, respectively, that were carrying a negative fund balance.

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

	<u>2003</u>	<u>2004</u>
Cash and Investments	\$ 2,384,854	\$ 3,736,682
Actuarially Liabilities	1,658,344	1,854,403

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

**Ashtabula County Schools Council of Governments
Jefferson, Ohio**

We have audited the financial statements of the Ashtabula County Schools Council of Governments as and for the years ended June 30, 2003 and 2004, and have issued our report thereon dated August 22, 2005, wherein we noted the Council prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 caused by error or fraud 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.

Compliance and Other Matters

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

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

Charles E. Harris & Associates, Inc.
August 22, 2005

STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ending June 30, 2001 and 2002, did not include material citations or recommendations.



**Auditor of State
Betty Montgomery**

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ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS

ASHTABULA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 20, 2005**