



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

**REGULAR AUDIT  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013**





# Dave Yost • Auditor of State

Board of Directors  
Ashtabula County Schools Council of Governments  
1565 State Route 167  
Jefferson, OH 44047

We have reviewed the *Independent Auditor's Report* of the Ashtabula County Schools Council of Governments, Ashtabula County, prepared by Canter & Associates, for the audit period July 1, 2012 through June 30, 2014. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

October 29, 2014

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**Ashtabula County Schools Council of Governments**

*Ashtabula County*

*Table of Contents*

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	<u>Page</u>
Table of Contents .....	1
Independent Auditor’s Report .....	2
Statement of Cash Receipts, Cash Disbursements, and Changes In Cash Balances – General Fund, For the Year Ended June 30, 2014 .....	5
Statement of Cash Receipts, Cash Disbursements, and Changes In Cash Balances – General Fund, For the Year Ended June 30, 2013 .....	6
Notes to the Financial Statements .....	7
Independent Auditor’s Report on Internal Control over Financial Reporting And on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i> .....	12



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Ashtabula County Schools Council of Governments, Ashtabula County, (the Council) as of and for the years ended June 30, 2013 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2013 and 2014, or changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Ashtabula County Schools Council of Governments, Ashtabula County as of June 30, 2013 and 2014, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014, 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.



**Canter & Associates**  
Poland, Ohio

October 15, 2014



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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>General</b>
<b>Cash Receipts:</b>	
Receipts from Member Districts	\$16,643,526
Interest	15,843
Stop Loss Insurance Reimbursements	406,902
Voids/Refunds	135,583
COBRA Payments	86,592
 Total Cash Receipts	 17,288,446
<b>Cash Disbursements:</b>	
Payments to Third Party Administrators	16,202,010
Purchased Services	32,123
Insurance	350
Liability Expenses	4,688
Actuarial Report	1,000
Miscellaneous	78
Service Fees	119,434
Health Action Council Annual Access Fee	2,962
 Total Cash Disbursements	 16,362,645
 Total Cash Receipts Over/(Under) Cash Disbursements	 925,801
 Fund Cash Balances, July 1	 10,765,848
 <b>Fund Cash Balances, June 30</b>	
Unassigned	11,691,649
 <b>Fund Cash Balances, June 30</b>	 <b>\$11,691,649</b>

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

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>General</b>
<b>Cash Receipts:</b>	
Receipts from Member Districts	\$16,162,818
Interest	6,298
Stop Loss Insurance Reimbursements	1,008,897
Voids/Refunds	33,318
COBRA Payments	75,867
 Total Cash Receipts	 17,287,198
<b>Cash Disbursements:</b>	
Payments to Third Party Administrators	15,824,844
Purchased Services	32,195
Insurance	350
Audit Costs	7,134
Liability Expenses	4,400
Actuarial Report	1,000
Stop Loss Reimbursement/Adjustment	156,366
Service Fees	118,657
Health Action Council Annual Access Fee	2,962
 Total Cash Disbursements	 16,147,908
 Total Cash Receipts Over/(Under) Cash Disbursements	 1,139,290
 Fund Cash Balances, July 1	 9,626,558
 <b>Fund Cash Balances, June 30</b>	
Unassigned	10,765,848
 <b>Fund Cash Balances, June 30</b>	 <b>\$10,765,848</b>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Ashtabula County Schools Council of Governments, Ashtabula County, (the Council) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio as defined by Chapter 167 of the Ohio Revised Code.

The Council is a shared risk pool as defined by Government Accounting Standards Board (GASB) Statement No. 10 as amended by GASB Statement No.30. It was formed to carry out a cooperative program for the provisions and administration of health care benefits for member employees in accordance with the Council by-laws.

The Council is directed by a Governing Board, consisting of the Superintendents or designee of the participating school districts. As of June 30, 2014 there were seven participating members of the Council.

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. Certificates of deposit account registry service (CDARS) are valued at cost.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

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

**D. Fund Accounting**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Non-spendable**

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

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

The Council applies restricted resources fist when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2014	2013
Demand deposits	\$8,691,649	\$8,765,848
CDARS	3,000,000	2,000,000
Total deposits and investments	\$11,691,649	\$10,765,848

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,260,565	\$17,288,446	\$27,881

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,364,057	\$16,362,645	\$1,412

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,284,274	\$17,287,198	\$2,924

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,001,534	\$16,147,908	(\$146,374)

**4. RISK MANAGEMENT**

The Council contracted with a third party administrator, Anthem Benefit Administrators, Inc for the years ended June 30, 2014 and 2013, to process and pay health benefit claims incurred by its members. Payments are made by members to the Council for monthly health insurance premiums, monthly stop-loss premiums, and administrative charges. The Fiscal Officer approves monthly payments to the third party administrators for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf of the Council members. Member school districts, whose claims exceed premiums paid, will carry a negative fund balance for which interest is assessed on. When the balance is no longer negative, interest will no longer be assessed.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**4. RISK MANAGEMENT (Continued)**

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

The pool reported the following summary of assets and actuarially measured liabilities available to pay those liabilities as of September 30, 2013 and June 30, 2014, which are the dates of the actuarial reports:

	2014	2013
Cash & Investments	\$11,691,649	\$10,765,848
IBNR Actuarial Liabilities	<u>(1,515,000)</u>	<u>(1,668,000)</u>
Excess Funds	<u>\$10,176,649</u>	<u>\$9,097,848</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

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 Ashtabula County Schools Council of Governments, Ashtabula County, (the Council) as of and for the years ended June 30, 2013 & 2014, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2014, wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03 permits.

***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 opinion 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 a 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 internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Ashtabula County Schools Council of Governments  
Ashtabula County  
Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards*  
Page 2

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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.



**Canter & Associates**  
Poland, Ohio

October 15, 2014

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# Dave Yost • Auditor of State

**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  
NOVEMBER 13, 2014**