

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

***AUDIT REPORT***

***FOR THE YEARS ENDED JUNE 30, 2006 & 2005***





# Mary Taylor, CPA

Auditor of State

Ashtabula County Schools Council of Governments  
1565 SR 167  
P.O. Box 186  
Jefferson, Ohio 44047-0186

We have reviewed the *Independent Accountants' Report* of the Ashtabula County Schools Council of Governments, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2006. 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. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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 *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State 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 "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

April 4, 2007

**This Page is Intentionally Left Blank.**

**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS**  
**ASHTABULA COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended June 30, 2006 & 2005**

**TABLE OF CONTENTS**

<u>Title</u>	<u>Page</u>
<b>Report of Independent Accountants</b>	<b>1-2</b>
<b>Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - For the Years Ended June 30, 2006 and 2005</b>	<b>3-4</b>
<b>Notes to the Financial Statements</b>	<b>5-7</b>
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i></b>	<b>8</b>
<b>Status of Prior Audit's Citations and Recommendations</b>	<b>9</b>

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

---

**REPORT OF INDEPENDENT ACCOUNTANTS**

Ashtabula County Schools Council of Governments  
Ashtabula County  
P.O. Box 186  
Jefferson, Ohio 44047-0186

To the Governing Board:

We have audited the accompanying financial statements of Ashtabula County Schools Council of Governments, Ashtabula County (the Council), as and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although, we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2006 and 2005. While the Council does not follow GAAP, generally accepted auditing standards require 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 the Council does not use GAAP to measure its 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 years ended June 30, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Ashtabula County Schools Council of Governments as of June 30, 2006 and 2005, and its 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 include Management's Discussion and Analysis for the years ended June 30, 2006 and 2005. 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 our report dated February 9, 2007, 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and 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.***  
February 9, 2007

**ASHTABULA SCHOOLS COUNCIL OF GOVERNMENTS  
ASHTABULA COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
General Fund  
For the Year Ended June 30, 2006**

		<b>2006</b>
<b>Receipts:</b>		
Receipts from Member Districts	\$	13,977,837
Interest		177,006
Stop Loss Insurance Reimbursements		692,762
Voids/Refunds		78,516
COBRA Payments		24,643
Miscellaneous		71
		14,950,835
<b>Total Receipts</b>		
<b>Disbursements:</b>		
Payments to Third Party Administrators		13,643,193
Purchased Services		25,607
Insurance		350
Audit Costs		243
Liability Expenses		4,400
Actuarial Report		1,450
Miscellaneous		27
		13,675,270
<b>Total Disbursements</b>		
<b>Total Receipts Over/(Under)</b>		
<b>Disbursements</b>		1,275,565
<b>Fund Cash Balance, January 1</b>		4,419,015
<b>Fund Cash Balance, December 31</b>	\$	5,694,580

See accompanying Notes to the Financial Statements.



**ASHTABULA COUNTY SCHOOLS COUNCIL OF GOVERNMENTS  
ASHTABULA COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
General Fund  
For the Year Ended June 30, 2005**

		<b>2005</b>
<b>Receipts:</b>		
Receipts from Member Districts	\$	13,742,058
Interest		68,585
Stop Loss Insurance Reimbursements		1,435,306
Voids/Refunds		335,913
Subrogation Refund		15,890
Cobra Payments		41,735
		15,639,487
<b>Total Receipts</b>		
<b>Disbursements:</b>		
Payments to Third Party Administrators		14,416,160
Purchased Services		24,555
Insurance		350
Audit Costs		46
Liability Expenses		4,400
Actuarial Report		1,350
Miscellaneous		3,531
		14,450,392
<b>Total Disbursements</b>		
<b>Total Receipts Over/(Under)</b>		
<b>Disbursements</b>		1,189,095
<b>Fund Cash Balance, January 1</b>		3,229,920
<b>Fund Cash Balance, December 31</b>	\$	4,419,015

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, 2006 & 2005**

**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, 2006 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, 2006 & 2005

**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 2005 and 2006 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:

	2006	2005
Demand Deposits	\$ 544,580	\$ 1,419,015
Certificates of Deposit	5,150,000	3,000,000
Total Deposits and Investments	\$ 5,694,580	\$ 4,419,015

*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, 2006 & 2005**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2005 and 2006 were as follows:

2005 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,498,555	\$ 15,639,487	\$ 140,932

2005 Budgeted vs Actual Disbursements			
Fund Type	Appropriation	Actual Expenditures	Variance
General	\$14,430,781	\$ 14,450,392	\$ (19,611)

2006 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,950,571	\$ 14,950,835	\$ 264

2006 Budgeted vs Actual Disbursements			
Fund Type	Appropriation	Actual Expenditures	Variance
General	\$13,675,271	\$ 13,675,270	\$ 1

**4. RISK MANAGEMENT**

The Council contracts with a third party administrator, Anthem Benefit Administrators, Inc. for the years ended June 30, 2005 and 2006, 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 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:

	2005	2006
Cash and Investments	\$ 4,296,716	\$ 5,982,757
Actuarially Liabilities	1,487,619	1,154,708

Rockefeller Building  
614 W Superior Ave Ste1242  
Cleveland OH 44113-1306  
Phone - (216) 575-1630  
Fax - (216) 436-2411

*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Ashtabula County Schools Council of Governments  
Ashtabula County  
P.O. Box 186  
Jefferson, Ohio 44047-0186

To the Governing Board:

We have audited the financial statements of Ashtabula County Schools Council of Governments, Ashtabula County, Ohio, (the Council) as and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated February 9, 2007, wherein we noted the Council follows accounting practices the Auditor of State prescribes 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 the Comptroller General of the United States' *Government Auditing Standards*.

**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 an opinion 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, grant agreements and other matters, 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 indicated no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Charles E. Harris & Associates, Inc.*  
February 9, 2007

**STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the years ending June 30, 2004 and 2003, reported no material citations or recommendations.



**Mary Taylor, CPA**  
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**  
**APRIL 17, 2007**