

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

**OHIO SCHOOLS COUNCIL
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors

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, 2006, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the remaining fund information of the Ohio Schools Council, Cuyahoga County, Ohio, as of June 30, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, the Council restated the June 30, 2005 net assets and the fund balance for the General Fund due to an overstatement of cash and cash equivalents and accrued wages. The Council also restated June 30, 2005 net assets due to an understatement of capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 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 and 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 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

June 18, 2007

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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, 2006. 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 2006 are as follows:

- Net assets of governmental activities increased \$701,502, which represents an 18.13 percent increase over 2005. The Council has no business-type activities.
- For governmental activities, general revenues accounted for \$144,283 in revenue or 8.26 percent of all revenues. Program specific revenues in the form of charges for services accounted for \$1.6 million or 91.74 percent of total revenues.
- The Council had \$1,045,903 in expenses related to governmental activities; all of these expenses were offset by program specific charges for services.
- The general fund, the council's only operating fund, had \$1.7 million in revenues and \$1,054,728 in expenditures. The general fund's balance increased \$692,677 to \$4.5 million.

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 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 assets* presents information on all of the Council's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 government's net assets changed during the most recent fiscal year. All changes in net assets 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 11-12 of this report.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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.

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 13-16 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. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 17 of this report.

Notes to the 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 can be found on pages 19-32 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Council, assets exceeded liabilities by \$4.6 million at the close of the most recent fiscal year.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Ninety-nine percent of the Council's net assets (\$4.5 million) reflect its unrestricted net assets. The Council uses these unrestricted net assets to meet ongoing obligations to the creditors. Only one percent of the net assets (\$42,249) are 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.

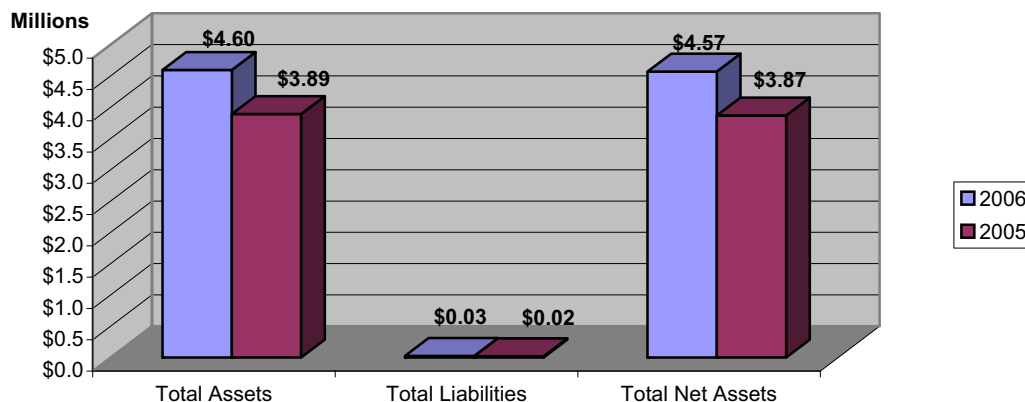
At the end of the current fiscal year, the Council is able to report positive balances in both categories of net assets in the governmental activities. The same situation held true for the prior fiscal year.

The table below shows net assets for fiscal year 2006 compared to the fiscal year 2005.

Table 1 - Net Assets

	Governmental Activities	
	2006	2005
Assets		
Current and Other Assets	\$4,554,838	\$3,864,395
Capital Assets	42,249	26,794
<i>Total Assets</i>	<u>4,597,087</u>	<u>3,891,189</u>
Liabilities		
Current Liabilities	10,062	9,536
Long-term Liabilities	16,173	12,303
<i>Total Liabilities</i>	<u>26,235</u>	<u>21,839</u>
Net Assets		
Invested in Capital Assets, Net of Debt	42,249	26,794
Unrestricted	4,528,603	3,842,556
<i>Total Net Assets</i>	<u><u>\$4,570,852</u></u>	<u><u>\$3,869,350</u></u>

Governmental Activities - Net Assets (In Million)



Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

As noted above, the Council's net assets increased by \$701,502. During fiscal year 2006, it was discovered that the \$499,531 in cash for the Council was reported in governmental activities instead of the agency funds, which caused a reduction in fiscal year 2005 net assets.

Governmental Activities

The table below shows changes in net assets for fiscal year 2006 compared to the prior fiscal year.

Table 2 - Changes in Net Assets

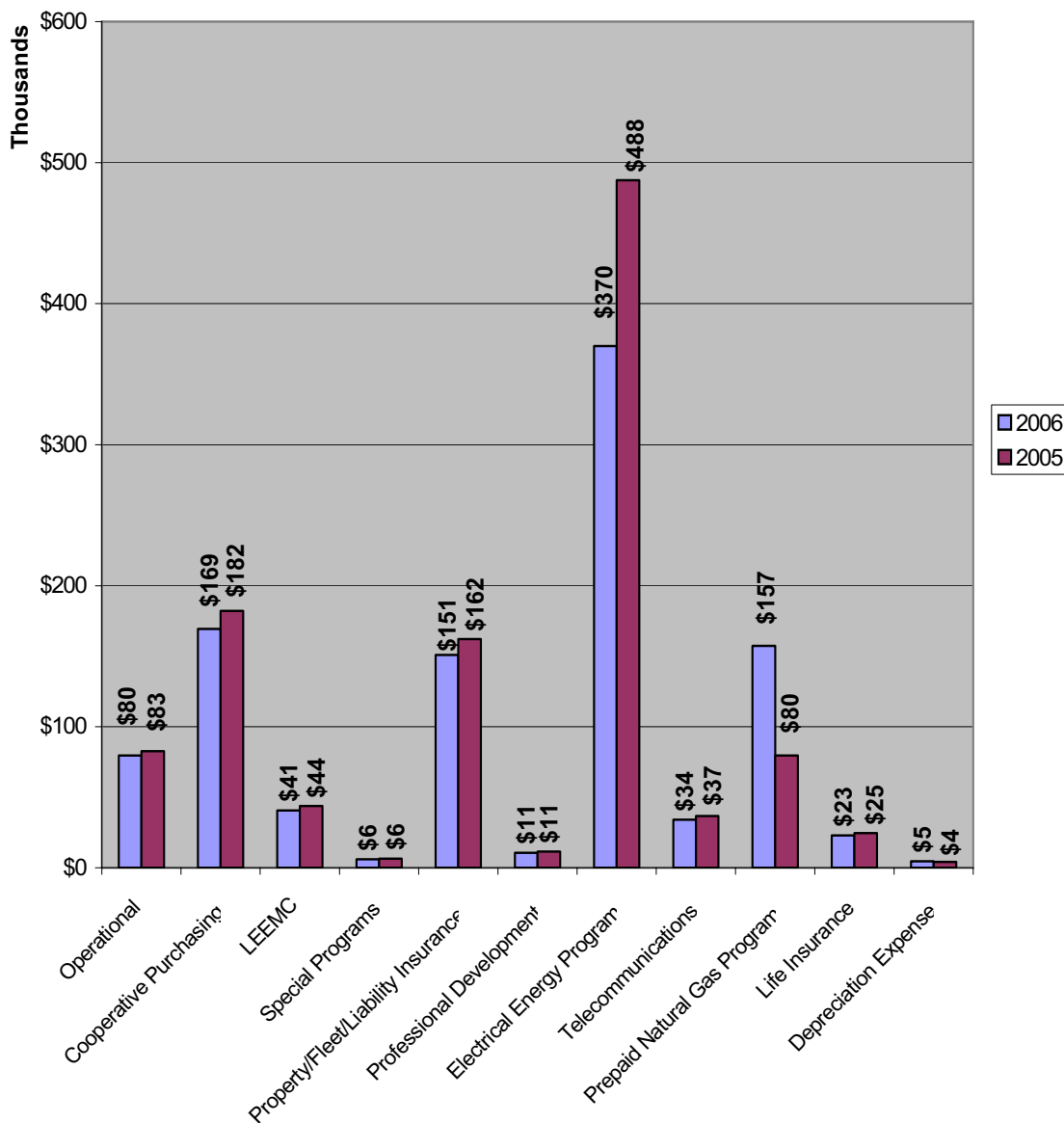
	Governmental Activities	
	2006	2005
Revenue:		
Program Revenues:		
Charges for Services and Sales	1,603,122	1,171,722
General Revenues:		
Interest	143,332	42,827
Miscellaneous	951	24
Total General Revenues	<u>144,283</u>	<u>42,851</u>
<i>Total Revenues</i>	<u>1,747,405</u>	<u>1,214,573</u>
Expenses:		
Operational	79,566	82,587
Cooperative Purchasing	169,399	182,162
LEEMC	40,651	43,714
Special Programs	5,997	6,449
Property/Fleet/Liability Insurance	150,822	162,185
Professional Development	10,569	11,365
Electrical Energy Program	369,984	487,560
Telecommunications	34,047	36,612
Prepaid Natural Gas Program	157,384	79,540
Life Insurance	22,889	24,613
Depreciation Expense	<u>4,595</u>	<u>4,211</u>
<i>Total Expenses</i>	<u>1,045,903</u>	<u>1,120,998</u>
<i>Increase in Net Assets before Extraordinary Item</i>	701,502	93,575
Extraordinary Item	<u>0</u>	<u>100,000</u>
<i>Increase in Net Assets</i>	701,502	193,575
<i>Net Assets Beginning of Year</i>	<u>3,869,350</u>	<u>3,675,775</u>
<i>Net Assets End of Year</i>	<u><u>\$4,570,852</u></u>	<u><u>\$3,869,350</u></u>

The chart above reflects an increase in program revenue for Charges for Services and Sales and in Interest Revenue for fiscal year 2006 compared to the prior fiscal year. The increase is primarily due to the

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

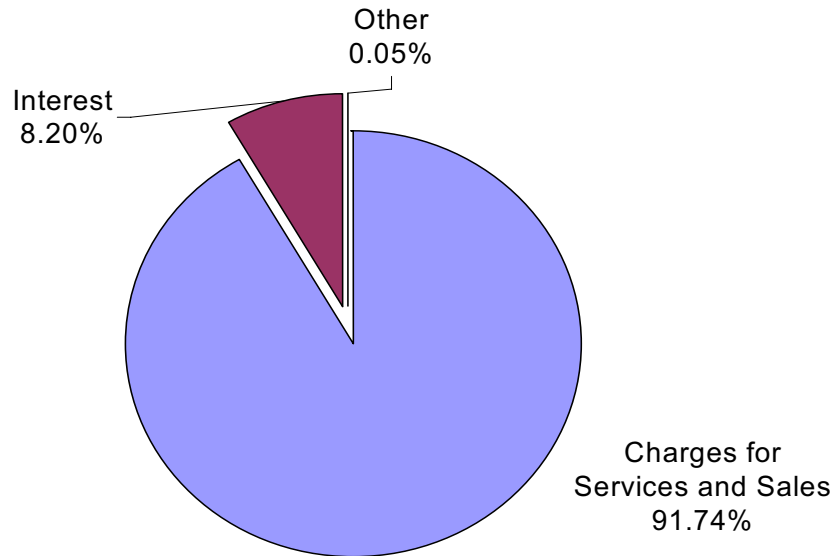
Council increasing fees for fiscal year 2006. The increase was offset by approximately \$185,000 in fees that were waived for all members of the Property, Fleet and Liability Insurance Program and due to the \$250,000 administration and service fees for Electrical Energy Program from February thru June of 2006 were not collected until December 2006. Interest earnings were substantially higher in fiscal year 2006 than 2005.

Program Expenses - Governmental Activities



Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Revenues by Sources - Governmental Activities



Financial Analysis of the Governmental Fund

Governmental Fund. Information about the Council's governmental fund starts on page 13. This fund is accounted for using 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 \$1.7 million and expenditures of \$1,054,728. The total general fund balance increased by \$692,677 to \$4.5 million for fiscal year 2006. All of the fund balance is unreserved. As a measure of the general fund's liquidity, it may be useful to compare both expenditures to unreserved fund balance. General fund expenditures represent 23.19 percent of total unreserved fund balance.

Ohio Schools Council
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Capital Assets

At the end of fiscal year 2006, the Council had \$42,249 invested in furniture and equipment all used for governmental activities.

Table 3 - Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities	
	2006	2005
Furniture and Equipment	\$42,249	\$26,794

The increase in capital assets was due to \$22,550 of acquisitions, offset by \$4,595 of depreciation and \$5,000 disposition of equipment. The Council continued its ongoing commitment to maintaining and improving its capital assets. For more information on the Council's capital assets, see Note 7.

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. Membership in the Council has grown to 102 districts. Participation in Council programs has also been slightly growing over the past several years.

The mission of the Council is to provide 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 insurances, and various types of supplies and equipment. Long-term contracts have been negotiated for the purchase of natural gas and electricity, which assures a significant revenue stream for the Council through 2008 for the Electric Program and through 2011 for the Natural Gas Program. The Council receives fees from districts for their participation in a property, fleet and general liability insurance program, cooperative purchasing program, school bus purchasing program, and Lake Erie Educational Media Consortium (LEEMC). Changes in the number of districts participating in any of these programs will affect the total revenue of the Council.

Contacting the Council's Financial Management

This financial report is designed to provide our members, citizens, taxpayers, 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 David Cottrell, Executive Director, at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

BASIC FINANCIAL STATEMENTS

Ohio Schools Council
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,531,660
Accounts Receivable	6,704
Prepaid Items	16,017
Materials and Supplies Inventory	457
Depreciable Capital Assets	<u>42,249</u>
<i>Total Assets</i>	<u>4,597,087</u>
Liabilities	
Accounts Payable	7,302
Vacation Benefits Payable	2,760
Long-Term Liabilities:	
Due Within One Year	6,343
Due in More Than One Year	<u>9,830</u>
<i>Total Liabilities</i>	<u>26,235</u>
Net Assets	
Invested in Capital Assets	42,249
Unrestricted	<u>4,528,603</u>
<i>Total Net Assets</i>	<u><u>\$4,570,852</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Governmental Activities</u>
Governmental Activities			
Operational	\$79,566	\$79,558	(\$8)
Cooperative Purchasing	169,399	99,740	(69,659)
LEEMC	40,651	52,603	11,952
Special Programs	5,997	12,761	6,764
Property/Fleet/Liability Insurance	150,822	4,089	(146,733)
Professional Development	10,569	8,172	(2,397)
Electrical Energy Program	369,984	615,501	245,517
Telecommunications	34,047	12,181	(21,866)
Prepaid Natural Gas Program	157,384	703,053	545,669
Life Insurance	22,889	15,464	(7,425)
Depreciation Expense	4,595	0	(4,595)
<i>Total Governmental Activities</i>	<u>\$1,045,903</u>	<u>\$1,603,122</u>	<u>557,219</u>
General Revenues			
Investment Earnings			143,332
Miscellaneous			951
<i>Total General Revenues</i>			<u>144,283</u>
Change in Net Assets			701,502
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>			<u>3,869,350</u>
<i>Net Assets End of Year</i>			<u><u>\$4,570,852</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council

Balance Sheet

Governmental Funds

June 30, 2006

	<u>General</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,531,660
Accounts Receivable	6,704
Prepaid Items	16,017
Materials and Supplies Inventory	<u>457</u>
<i>Total Assets</i>	<u><u>\$4,554,838</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	\$7,302
Fund Balances	
Unreserved, Undesignated Reported in:	
General Fund	<u>4,547,536</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$4,554,838</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2006*

Total Governmental Funds Balances	\$4,547,536
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	42,249
Vacation benefits payable is not expected to be paid with expendable available resources and therefore not reported in the funds.	(2,760)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	<u>(16,173)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$4,570,852</u></u>

See accompanying notes to the basic financial statements

Ohio Schools Council
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General
Revenues	
Interest	\$143,332
Charges for Services	1,594,950
Tuition and Fees	8,172
Miscellaneous	951
<i>Total Revenues</i>	1,747,405
Expenditures	
Current:	
Operational	50,597
Cooperative Purchasing	169,399
LEEMC	40,651
Special Programs	5,997
Property/Fleet/Liability Insurance	150,822
Professional Development	10,569
Electrical Energy Program	369,984
Telecommunications	34,047
Prepaid Natural Gas Program	157,384
Life Insurance	22,889
Capital Outlay	42,389
<i>Total Expenditures</i>	1,054,728
<i>Net Change in Fund Balance</i>	692,677
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	3,854,859
<i>Fund Balance End of Year</i>	\$4,547,536

See accompanying notes to the basic financial statements

Ohio Schools Council
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances -Total Governmental Funds		\$692,677
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
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	22,550	
Current Year Depreciation	<u>(4,595)</u>	
Total		17,955
In the statement of activities the loss on the disposal of capital assets is reported.		
		(2,500)
Some expenses reported in the statement of activities, such as compensated absences do do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Vacation Benefits Payable	(2,760)	
Compensated Absences	<u>(3,870)</u>	
Total		<u>(6,630)</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$701,502</u></u>
See accompanying notes to the basic financial statements		

Ohio Schools Council
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$7,468,877</u>
Liabilities	
Undistributed Monies	<u>\$7,468,877</u>

See accompanying notes to the basic financial statements

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Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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 is the primary government and consists of 102 school districts throughout Ohio. The Council operates under a seven-member Board of Directors (the Board). Three members of the Board are selected 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' Associations. 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.

A. Description of the Entity

The Council provides services primarily in the areas of procurement and employee life insurance. 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, and electrical energy.

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.

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Council.

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. The Council has no component units.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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 Council also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or after November 30, 1989, to its governmental activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of Council's accounting policies are described below.

A. Basis of Presentation

The Council's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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.

The statement of net assets 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 focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Council's general fund is its only governmental fund.

B. 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, 2006

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 liabilities 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 all financial resources except those required to be accounted for in another fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trusts 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 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-administered prepaid natural gas program. Resources 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-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.

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 governmental funds.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

D. 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. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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, charges for services and fees.

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.

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

F. Cash and Investments

Cash received by the Council is pooled in a central bank account with individual fund balance integrity maintained throughout. Monies for all funds are maintained in this account.

During fiscal year 2006, the Council's investments were limited to certificates of deposit, Federal Home Loan Mortgage Corporation Bonds and STAROhio.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating contracts such as certificate of deposits and repurchase agreements are reported at cost.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006 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.

H. 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.

I. 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 assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market 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 except land 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Furniture and Equipment	5 – 15 years

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

J. 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.

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.

K. 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, compensated absences, contractually required pension contributions, and special termination benefits 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.

L. 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.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Council applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Council and that are either unusual in nature or infrequent in occurrence. In 2006, the Council did not have any extraordinary or special items.

Note 3 – Change in Accounting Principles and Restatement of Fund Balance of General Fund and Restatement of Assets and Liabilities of Agency Funds

For fiscal year 2006, the Council has implemented GASB Statement No. 47, “Accounting for Termination Benefits”.

GASB Statement No. 47 is to establish standards of accounting and financial reporting for termination benefits.

The implementation of GASB Statement No. 47 did not materially affect the presentation of the financial statements of the Council.

During fiscal year 2006, it was determined that the Council previously reported some of its cash balance in the general fund that should have been reported in the agency funds. This adjustment, along with adjustments for accrued wages, had the following effect on the general fund balance of the Council as it was previously reported.

	General Fund
Fund Balance at June 30, 2005	\$4,579,158
Cash and Cash Equivalents Overstated	(763,163)
Accrued Wages Payable Overstated	38,864
Restated Fund Balance at June 30, 2005	\$3,854,859

The adjustments above, along with an adjustment to capital assets, had the following effect on net assets at June 30, 2005.

	Governmental Activities
Net Assets at June 30, 2005	\$4,586,280
Cash and Cash Equivalents Overstated	(763,163)
Capital Assets Understated	7,369
Accrued Wages Payable Overstated	38,864
Restated Net Assets at June 30, 2005	\$3,869,350

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Note 4 – Cash and Investments

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

Active deposits are public deposits 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 of Education 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 Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
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

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

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, \$8,712,853 of the Council's bank balance of \$8,412,853 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment 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, 2006, the Council had the following investments:

	Fair Value	Maturity
Federal Home Loan Mortgage Corporation Bonds	\$1,489,857	167 Days
STAROhio	1,932,992	33 days Average
Total	\$3,422,849	

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. To date, no investments have been purchased with a life greater than two years.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Bonds and the Federal Home Loan Mortgage Corporation Bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the Council's name. The Council has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Credit Risk The Federal Home Loan Bank Bonds and the Federal Home Loan Mortgage Corporation Bonds carry a rating of AAA by Standard & Poor's and STAROhio also carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Council has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The Council places no limit on the amount it may invest in any one issuer. The following is the Council's allocation as of June 30, 2006:

<u>Investment</u>	<u>Percentage of Investments</u>
Federal Home Loan Mortgage Corporation Bonds	43.53%
STAROhio	56.47%

Note 5 – Receivables

Receivables at June 30, 2006 consisted of only accounts receivable. All receivables are considered collectible in full.

Note 6 – Other Employee Benefits

A. Compensated Absences

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

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

- Five days per year (first year)
- Ten days per year (2nd through 5th year)
- Fifteen days per year (6th through 11th year)
- Twenty days per year (12th year and thereafter)

Days in the above schedule refer to workdays. Up to five unused vacation days may be carried forward and must be used by August 30. If an employee does not use the five unused vacation days within the prescribed time, the employee loses that time.

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, 2006

- 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 3 months of leaving the Council.

Sick leave shall be accrued according to the following schedule:

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.

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

B. 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% of the cost of medical and dental insurance.

For individuals employed with a 260-day contract after August 1, 2005, the Council shall pay 80% of the cost of medical and dental insurance.

The Council shall pay up to \$500 per month towards the cost for the medical and dental insurance provided by the Ohio Schools Council for the Executive Director and Assistant Executive Director. In lieu of medical and dental insurance, the Executive Director and/or Assistant Executive Director may chose to receive a stipend of \$500.00 per month. This stipend may be taken either as reimbursement of medical expenses or deposited in an annuity. This stipend shall not be considered as part of the salary for the positions.

The Council shall pay life insurance in the amount of 2.5 times the employee's annual salary; including the employee's share of SERS retirement cost, but not pick-up on the pick-up,

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.

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Note 7 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

	<u>Balance 7/1/2005</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance 6/30/2006</u>
Governmental Activities				
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	\$85,613	\$22,550	(\$5,000)	\$103,163
Less Accumulated Depreciation:				
Furniture and Equipment	<u>(58,819)</u>	<u>(4,595)</u>	<u>2,500</u>	<u>(60,914)</u>
Governmental Activities Capital Assets, Net	<u>\$26,794</u>	<u>\$17,955</u>	<u>(\$2,500)</u>	<u>\$42,249</u>

Note 8 – Long Term Obligations

The changes in the Council long-term obligations during fiscal year 2006 were as follows:

	<u>Principal Outstanding 7/1/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2006</u>	<u>Amount Due in One Year</u>
Governmental Activities					
Compensated Absences	<u>\$12,303</u>	<u>\$8,695</u>	<u>(\$4,825)</u>	<u>\$16,173</u>	<u>\$6,343</u>

In fiscal year 2006, the compensated absences liability in the governmental fund was paid out from the general fund.

Note 9 – Pension Plan

The Council contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Council's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Council's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

2004 were \$55,447, \$46,549, and \$43,236, respectively; 100 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

Note 10 – Postemployment Benefits

The Council provides comprehensive health care benefits to retired employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. SERS is funded on a pay-as-you-go basis.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer’s 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer’s SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$17,923.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

Note 11 – Risk Management

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 year the Council contracted with Todd Associates, Incorporated for all insurance. The types of coverage and deductibles are as follows:

Type of Coverage	Coverage	Deductible
Directors' and Officers Liability	\$2,000,000	\$1,000
Employment Practices Liability	2,000,000	2,500
Trustee and Fiduciary Liability	2,000,000	2,500

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

Ohio Schools Council
Notes to the Basic Financial Statements
For the Year Ended June 30, 2006

Note 12 – Lease Obligations

On June 28, 2005, the Council entered into an operating lease with Rockside Square II, for the period of December 1, 2005 to November 30, 2008, for the rental of the space located at 6133 Rockside Road. The terms of the lease require payment in monthly installments in the amount of \$3,300.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors

We have audited the 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, 2006, which collectively comprise the Council's basic financial statements and have issued our report thereon dated June 18, 2007, wherein we noted the Council restated the June 30, 2005 net assets and the fund balance for the General Fund due to an overstatement of cash and cash equivalents and accrued wages. The Council also restated June 30, 2005 net assets due to an understatement of capital assets. 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 Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Council's management dated June 18, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion 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*.

We intend this report solely for the information and use of the audit committee, management, and the Board of Directors. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 18, 2007



Mary Taylor, CPA
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
AUGUST 30, 2007