

**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008 and 2007



Mary Taylor, CPA

Auditor of State

Board of Directors
Wayne County Schools Council
7571 North Elyria Road
West Salem, Ohio 44287

We have reviewed the *Independent Accountants' Report* of the Wayne County Schools Council, prepared by Knox & Knox, for the audit period July 1, 2006 through June 30, 2008. 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 Wayne County Schools Council 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

December 9, 2008

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**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Wayne County Schools Council
Wayne County
7571 North Elyria Road
West Salem, Ohio 44287

To the Board of Directors:

We have audited the accompanying financial statements of the Wayne County Schools Council, Wayne County, Ohio, (the Council) as of and for the years ended June 30, 2008 and June 30, 2007. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, 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 its 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 accounting principles generally accepted in the United States of America, 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, 2008 and June 2007. The revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. 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. 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position and cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Wayne County Schools Council, Wayne County, as of June 30, 2008 and 2007, and its combined cash receipts and disbursements and cash flows for the years then ended on the basis of accounting described in Note 1.

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 December 3, 2008, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Knox & Knox

Orrville, Ohio
December 3, 2008

**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	Enterprise Fund	
	2008	2007
OPERATING CASH RECEIPTS		
Health Benefit Premium Deposits	\$2,837,351	\$4,727,763
OPERATING CASH DISBURSEMENTS		
Current:		
Medical Claims	2,973,821	4,697,698
Administrative Fees	2,500	425,082
Other	138,341	16,530
Total Operating Cash Disbursements	3,114,662	5,139,310
Operating Income (Loss)	(277,311)	(411,547)
NON-OPERATING CASH RECEIPTS		
Earnings on Investments	3,185	5,853
Net Cash Receipts Over/(Under) Cash Disbursements	(274,126)	(405,694)
Fund Cash Balance, July 1	274,126	679,820
FUND CASH BALANCE, JUNE 30	274,126	\$274,126

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

**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Wayne County Schools Council, Wayne 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 the Government Accounting Standards Board Statement No. 10. It was formed to carry out a cooperative program for the provision and administration of health care benefits for member employees and to promote other cooperative programs which may be approved in accordance with the Council by-laws.

The Council Assembly is the legislative decision-making body of the Council and is comprised of the superintendent, treasurer, or executive officer from each member District. As of June 30, 2008, The Council had dissolved and there were no members.

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 is the advisory body of the Council and is comprised of 3 individuals, including the Treasurer of North Central Local School District who serves as the Chairman. Among other responsibilities, the Board reviews the applications of potential new Council members, reviews health insurance policies, and selects carriers for insurance coverage. The Board also reviews contracts for the purpose of selecting third-party administrators and makes recommendations to the Council Assembly related to member program costs and adjustments.

The Council Agreement can be terminated by a majority vote of the participating members. Upon such termination, the net reserve will be transferred to all members in proportion to their fiscal year premium deposits divided by the total deposits of all members.

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.

**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. CASH AND INVESTMENTS

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Investments are included in the fund cash balance. 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.

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 uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public money, management control, accountability or other purposes.

E. BUDGETARY PROCESS

The Council is not required to follow the budgetary process, but has decided to adopt a formal budget annually.

1. Appropriations

The Board annually approves measures and subsequent amendments to prevent budgetary expenditures from exceeding appropriations. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Council reserves (encumbered) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of fiscal 2008 and 2007 budgetary activity appears in Note 2.

**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

2. BUDGETARY ACTIVITY

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	<u>\$2,840,536</u>	<u>\$2,840,536</u>	<u></u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	<u>\$3,114,662</u>	<u>\$3,114,662</u>	<u></u>

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Enterprise	<u>\$7,196,134</u>	<u>\$4,733,616</u>	<u>(\$2,462,518)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Enterprise	<u>\$6,382,878</u>	<u>\$5,139,310</u>	<u>\$1,243,568</u>

3. CASH AND INVESTMENTS

The Northwestern Local School District serves as the fiscal agent for the Council. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amounts of cash and investments at June 30, 2008 and 2007 were as follows:

	2008	2007
Demand deposits	<u></u>	<u>\$274,126</u>

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

4. RELATED PARTY TRANSACTIONS

In consideration for its services, the Northwestern Local School District, as fiscal agent, may receive a fee from the Council in such an amount as approved by the Council Assembly. During the fiscal year ended June 30, 2008 and 2007, \$2,500 and \$5,500 of such fees were paid to the Northwestern Local School District by the Council.

**WAYNE COUNTY SCHOOLS COUNCIL
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

5. RISK ASSESSMENT

The Council contracts with Medical Mutual Services Company, third party administrator, 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. During fiscal year 2007, the Council purchased specific stop-loss coverage of \$125,000 per individual. The Council Fiscal Officer makes monthly payments to the third party administrators for actual insurance claims processed, stop-loss premiums and administrative charges incurred on behalf Council members.

Any rate increases/decreases from the stop-loss insurance carrier are passed on to Council participants through their individual participation rates negotiated with the stop-loss insurance carrier.

The Council reported the following summary of assets and liabilities at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Cash and Investments		\$274,126
Actuarial Liabilities		<u>137,429</u>
Net Plan Assets	<u> </u>	<u>\$136,697</u>

6. SUBSEQUENT EVENT

As of July 1, 2008, the Council had no members and its assets had been liquidated.

KNOX & KNOX

Accountants and Consultants

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

Wayne County Schools Council
Wayne County
7571 North Elyria Road
West Salem, Ohio 44287

To the Board of Directors:

We have audited the financial statements of Wayne County Schools Council, Wayne County, Ohio (the Council), as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 3, 2008 wherein we noted that the Council prepared its financial statements using accounting practices prescribed by the Auditor of State rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Council's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Council's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Council's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Council's basic 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 members of Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
December 3, 2008



Mary Taylor, CPA
Auditor of State

WAYNE COUNTY SCHOOLS COUNCIL

WAYNE 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
DECEMBER 24, 2008**